Lobbyists, Money, Power: Excerpts from Walters/Michael Book

california JOURNAL

MARCH 2002
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High-tech democracy

The end of voting as we know it

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california JOURNAL

March 2002
Volume XXXIII, Number 3

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D.C. Perspective
Bush and Enron
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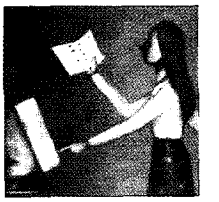
Future Shock

More than 187,000 California ballots cast in the last presidential election were not counted because of flaws attributed to the state's antiquated voting systems, particularly the notorious punch card ballot that proved a disaster in Florida. Today, more than a year after the nation waited to learn the identity of its next president, the public outrage may be gone, but the problem is not.

David Lesher

The cover story in this issue looks at the enormous challenge facing state and local election officials as they try to make repairs that are critical for restoring public confidence. Typically, one of the most difficult problems is money. But there are many other issues involved, particularly whether technology is ready to assume democracy's most critical function. This issue of the *Journal* also looks to the future in an interview with former Clinton Press Secretary Mike McCurry, now CEO of the high-tech company, Grassroots Enterprise. And it looks ahead to the next election with a rundown of the propositions and initiatives trying to reach the November ballot.

8 Cyber age voting



In the quest for fail-safe voting equipment, government officials will pony up millions for voting technology that's still unproven and could be outdated before it's worn out.
By David Lesher

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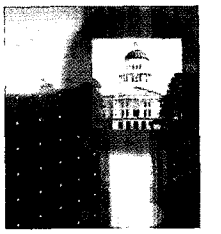

Former Clinton Press Secretary Mike McCurry talks with the *California Journal* about the future of politics as he sees it from his current position as CEO of Grassroots Enterprise, a new company that uses technology to organize and advocate.
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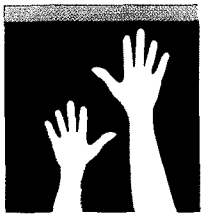

A new study from the Public Policy Institute of California identifies a disturbing new reality as the state's poverty level passed the U.S. in 1989 and remained higher than the the nation through the recession and prosperity of the last decade.
By Deborah Reed

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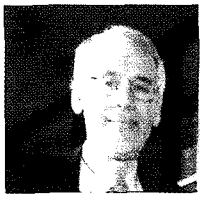

For the first time in 14 years, there's a new economist in charge of forecasting the Golden State's fortunes. Meet Howard Roth, new head economist at the state Department of Finance.
By Susan Rasky

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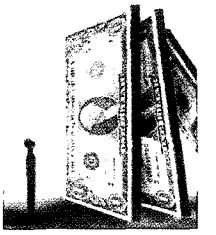
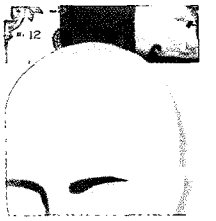


Veteran *Sacramento Bee* columnist Dan Walters and longtime lobbyist Jay Michael reveal a behind-the-scenes look at lobbyists, their trade and their influence in a new book, "The Third House," excerpted here.
By Dan Walters and Jay Michael

30 Bring on the initiatives



The March ballot offered a reprieve from contentious citizen initiatives, but look what's in store for November.
By A.G. Block

Cover by Jon Krause

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umbrage

The Willies. Opponents of Proposition 45 — the initiative that tweaks term limits to extend the political life of current legislators — have resurrected the same foil used to help pass the original term-limits initiative — Proposition 140 of 1990. Yes, the same Willie Lewis Brown, Jr., former speaker of the Assembly and current mayor of San Francisco. With all the subtlety of Chicken Little, opponents are screaming that Proposition 45 will send Willie back to the Legislature. It is an interesting point to make with those who pay not a whit of attention to state politics. In other words, most Californians. But it is patently dishonest. Brown could return to the Legislature today, with or without Proposition 45. Although termed out of the Assembly, the former lawmaker has served not a day in the state Senate and is eligible for two full terms — eight years — in the upper house. Proposition 45 actually postpones Brown's return by giving an extra four years to the lawmaker who currently holds the seat Brown would seek, Senate President pro Tem John Burton.

Carpenter dies. Paul Bruce Carpenter, one of Sacramento's more colorful and controversial lawmakers, died January 24 following a lengthy battle with cancer. Carpenter, who was 73, served a total of 12 years in the Legislature, representing Orange County as a Democrat in the Assembly from 1974 to 1976 and in the state Senate from 1976 to 1986. After leaving the Senate, he served another four years on the state Board of Equalization. It was during his 1986 campaign for the board that he was the target of an FBI sting in which undercover agents offered donations in exchange for his help with their fictitious shrimp fishery.

Carpenter was convicted in 1990, but the case was rejected on appeal. Three years later, however, he was found guilty in a separate case for laundering contributions to Senate colleague Alan Robbins, a Democrat from Van Nuys. Shortly before he was to be sentenced in 1994, Carpenter fled to Costa Rica. He was arrested a year later and returned to the U.S. where he served four years in prison. He was released in 1999 and settled in San Antonio. Carpenter, known as a risk-taker who invested in new technology and racehorses, was born in Sioux City, Iowa in 1928. He was a well-known voice in the Legislature where he championed bills on toll roads, Superfund cleanup and property tax relief. Senate President pro Tem John Burton adjourned the chamber in Carpenter's memory on the day he died.

Cannonade. One of the first journalists to champion *California Journal* after its founding in 1970 was Lou Cannon, at the time a Washington, D.C. correspondent for Ridder Publications. Aside from emotional support, Cannon wrote a monthly *CJ* column called "Letter from Washington," which he continued to provide after he left Ridder for *The Washington Post* in 1972. With few exceptions, that column appeared in nearly every *Journal* from January 1970 to November 1976. His association with this magazine did not end in 1976, however; it has continued to this day, both as a member of our board of directors and as a contributing editor and valued adviser. In a journalistic career that has spanned more than four decades, Cannon served as senior White House correspondent for the *Post*, syndicated columnist and author of seven books, including four about Ronald Reagan. This month, Cannon will be honored with a "lifetime achievement award" from the Center for California Studies. The *Journal* adds its hearty congratulations. Cannon received our "lifetime achievement award" long ago.

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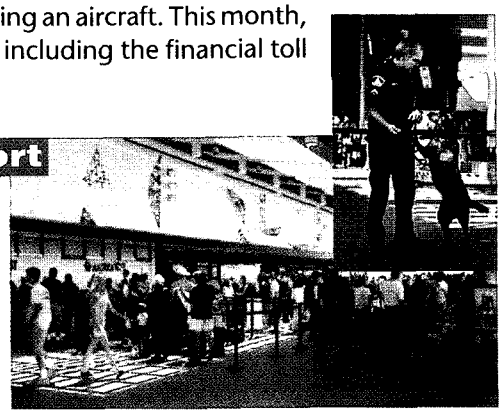
Airports gear up

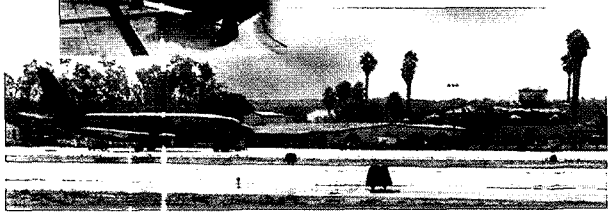
Flying in America will never be the same since last fall's terrorist attack. There are more armed guards, electronic scanners and bomb-sniffing dogs at the airports. There are also longer lines, fewer flights and more anxiety about boarding an aircraft. This month, Cal Watch checks up on some changes at our airports, including the financial toll from beefed up-security and lost revenues.



Sacramento International Airport

- $1.5 million for increased security personnel
- $8 million projected loss this year from landing, parking and concession fees
- Two bomb-sniffing dogs added to security force; three more on the way
- Passenger count up 1% overall since last year, but lower than expected

fallout

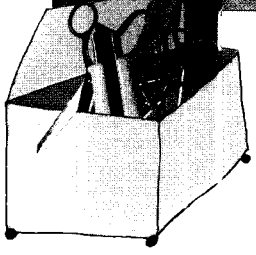


Santa Barbara Municipal Airport

- Passenger volume down 16% in December over previous year
- Passenger volume down 7% overall since last year
- $250,000 in added costs for five additional patrol officers
- $300,000 in lost revenue from landing fees

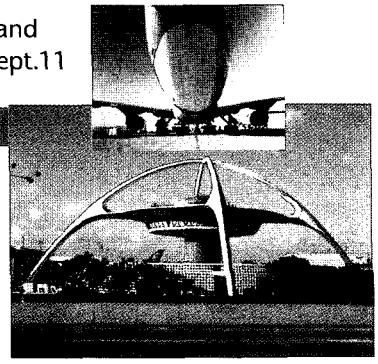
San Diego International Airport

- 10% fewer flights since Sept. 11
- Passenger volume down 9% overall since last year
- $2 million in projected additional security costs
- Instituted "Green Coat" program to provide customer service during long wait in lines



San Francisco International Airport

- $100 million expected revenue shortfall this year with up to 50% decline in landing and parking fees
- $1.5 million monthly loss on concession revenues
- 20% fewer flights in and out of airport
- Disposed of 2,000 pounds of scissors, nail clippers, and cork screws confiscated at security check points since Sept.11



Los Angeles International Airport

- $11 million in additional security costs
- 20% fewer flights in January compared with previous year
- 20% decline in December passenger volume compared with previous year
- $127 million projected deficit for 2002

— CJ Editors

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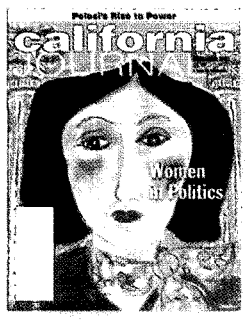
letters

Maligning the president

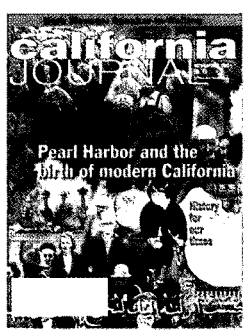
I strongly disagree with the uncalled for attack on our president by Dana Wilkie [D.C. Perspective, December, 2001]. For example, she refers to George Bush's travel on September 11th as "while her husband zigzagged across the country to dodge potential assassins." Does she hate him so much that she wants him dead?

She also states: "When it sometimes becomes too embarrassing to listen to him — with cheesy, Wild West references to a 'Dead or Alive Osama bin Laden' and grade-school-like explanations about the U.S. offensive in Afghanistan..." I haven't seen this kind of cutesy crap since the heyday of Time Magazine. I for one am not embarrassed to listen to him! Bush gave us our first real tax cut in 12 years, one in which the less affluent were given a new and lower 10 percent tax bracket. He eliminated the marriage penalty, something California did a long time ago. And last but not least, Bush commissioned a bipartisan panel to reform Social Security.



Wilkie writes in the same issue in "A Woman's Touch" that "though Bill Clinton would be judged on his merits, Hillary Clinton would be judged on her gender." She has to be kidding. Hillary proved to be an enemy worthy of attention when she tried to get the federal government to take over one-seventh of the American economy (health care). Bill Clinton had brains enough to drop the subject.

Roland Boucher
Irvine



Turning out voters

Regarding the high percentage of nonvoters ["Connecting the Disconnected," November 2001], there are two answers why people don't participate more in the political process.

The first is psychological, the unproven assumption by the media that people don't vote because they are alienated and apathetic. An equally valid assumption is that voters are satisfied with the way things are and believe the incumbent is performing adequately.

Secondly, a constitutional amendment is needed to convert the California Legislature to a unicameral body by eliminating the Assembly. The state Senate would be increased so that every congressional district has three state Senate districts nested within its boundaries. These districts would be apportioned equally on the basis of registered voters, with nonvoters purged prior to each election. Senate terms would be six years with one senator elected in each congressional election. Term limits would remain in effect. Senators would vote according to the total number of valid ballots ("proxies") cast in their Senate race.

Candidates will want to maximize their individual voting power by having as many voters in the election as possible. Massively lopsided majorities in individual districts — the typical incumbent protection goal — becomes dysfunctional since these races can be boycotted by a party that has no hope of winning and thus denying their proxies to the elected state senator.

The new dynamic will create competitive districts, but favor the party controlling the reapportionment by a minimal but significant amount — an effect which should spill over into the reapportionment of the underlying congressional districts. With more competitive districts, each vote makes a difference, parties run better quality candidates (perhaps less ideological), and the Legislature's business is done more efficiently.

Bruce Bibee
Los Angeles

More to child care

Excellent article by Jan Ferris Heenan ["Navigating a Choppy Child Care System," October 2001]. However, there was a gaping omission because the potential impact of Proposition 10 was omitted.

Prop.10 was passed by a razor-thin margin in 1998. It places an extra tax on all tobacco products for early childhood development of children to age 5 years and their families.

Despite Prop.10 generating a multi-billion fund already, the sad fact is the state and several county Prop.10 commissions are simply drifting without a coherent direction.

As a result, millions of dollars that should be targeted at low-income children and their families is being spent on wasteful administration.

If the child care problem in California is to be effectively addressed, it will require a synergistic alliance of all state and county agencies involved with low-income families.

Gilbert "Gil" Armijo
Santa Maria

California Journal welcomes letters from our readers. Please e-mail comments on articles to **edit@statenet.com** or write to us at 2101 K Street, Sacrmento, 95816. Letters may be edited for length and readability.

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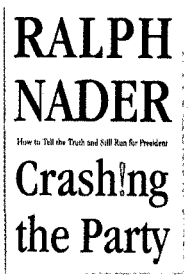
Excerpts:
From the bookshelf

Crashing the Party
How to Tell the Truth and Still Run for President
By Ralph Nader
St. Martin's Press



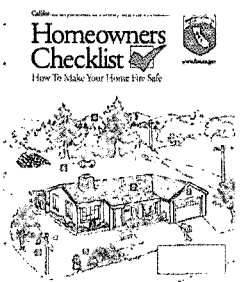
Any presidential campaign is naturally beset by political ups and downs in the quest to reach the White House. But for third party candidates, the road is all the bumpier. Twice in the last decade, third party candidates captured national attention though they fell far from the finish line. In 1992, Ross Perot launched the Reform Party to make his presidential bid. Then in 2000, citizen activist and Green Party member Ralph Nader took to the campaign trail in an effort to drive a wedge between Democrats and Republicans.

In his most recent book "Crashing the Party," Nader chronicles his campaign experiences navigating the country and through political quagmires to lodge himself on the ballot and in the public eye. From the tedious qualification process requiring volunteers to gather scores of signatures required to place his name on 43 state ballots to the nickel-and-dime fund raising necessary for federal matching funds, Nader shares the inside view of the political and media obstacles faced by a grassroots' presidential candidate. Nader had plenty of connections in high places, but fear of jeopardizing their status with the Democratic party kept Hollywood and high-tech types from ponying up much needed campaign dollars. Shunned by the presidential debates, Nader was left on his own to stir up media attention and grassroots support. That he ultimately received three million votes nationwide is testament to his tenacity, but his uphill battle demonstrates only the hardy should contemplate following in his footsteps.

Bureaucracy Watch:
Getting Clear

Don't doubt that Governor Gray Davis recognizes the importance of plain speaking, at least when it comes to the interface between government and the populace it serves. Through his Office for Innovation in Government, state agencies and departments can now compete to win a coveted "Clarity Award."

And if you think bureaucrats aren't eager to be recognized for their communication skills, think again. In the first round of entries, 21 departments and eight agencies submitted 48 entries from among their brochures, annual reports, leaflets, newsletters, information packets and posters, the usual stuff that can leave citizens bleary-eyed or incredulous with confusion.



This year's winners are...the Department of Forestry and Fire Protection for its brochure "Homeowners Checklist:Make Your House Fire Safe," geared toward homeowners living in wild areas, and the Department of Industrial Relations for its "Safe Jobs for Youth" bookmarkers featuring safety tips for teens in the workplace. Representatives for the awards committee take as their model the 10 Commandments just, 179 words, and the Gettysburg Address with just 286 words. By contrast, they note, California's regulations on catching trout and salmon take up 18,897 words in the code book.

Quotables.....

"He's a person I have no respect for. To me, it wouldn't make any difference if he were the governor or [if] Gray Davis were governor."

— former Republican Gov. George Deukmejian, speaking at the state party convention about GOP candidate Richard Riordan

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The end of voting

Democracy had a heart attack in Florida. The punch-card disaster during the 2000 presidential race exposed a system so flawed that millions of votes were uncounted nationally. Now, government is preparing to spend millions of dollars on repairs. But the dizzying challenge is to find the best remedy in a flea market of cures.

By David Lesher

Remember buying a PC about seven or eight years ago? We barely knew the word gigabyte, let alone had a system with that much of anything in it. Color screens were still an impressive development. We bought our computers because they could do amazing things. And within weeks, they were out of date.

That's about the way things are today in the voting machine industry. Election officials around the country are preparing to spend millions of dollars to upgrade the paper ballot systems that were scandalized by Florida's presidential election disaster. And seemingly overnight, major computer companies, garage inventors and traditional election equipment makers have scrambled to produce a new generation of electronic voting machine.

It is surely the biggest change in American democracy since the National Voting Rights Act enfranchised millions of minority voters in 1965. Along with other reforms under way, the latest improvements are intended to restore as many as 6 million votes that were cast but not counted in the last presidential election, according to a recent national study. They also look ahead to the day when casting a vote may not be much different than sending an e-mail or getting money from an ATM.

At the moment, however, the nascent industry is in the midst of the same battle to claim market share and set standards that we've seen before with Apple and IBM, beta and VHS. The expert advice is to wait and see whether prices drop and the technology matures. But in the wake of Florida, impatient lawmakers insist that the notorious chad-clogging punch cards are a threat to democracy.

All of today's new machines are like wonder toys compared with the paper punch cards or lever-pull machines that have tallied U.S. elections for generations. But when you go shopping for a new system, the myriad choices "call to mind something like tinkerers in their garage," said Steven Hill, western director at the Center for Voting and Democracy.

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as we know it

Illustration by Jon Krause

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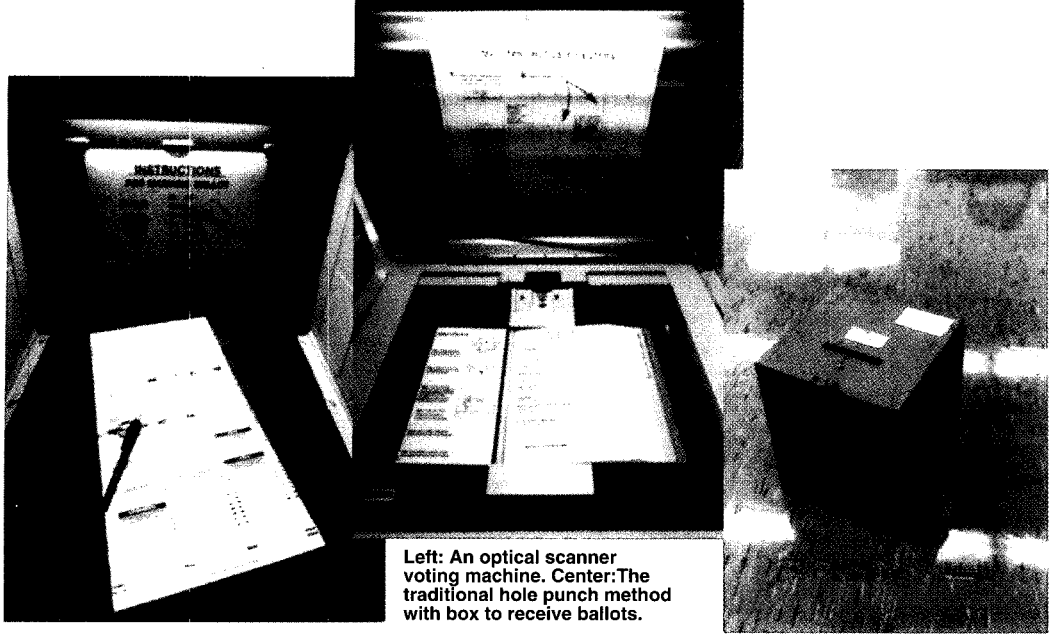


Left: An optical scanner voting machine. Center: The traditional hole punch method with box to receive ballots.

So far, only four electronic voting machines have been certified for use in California. But at the state's "Election Technology Expo" last year in Sacramento, dozens of companies like Election.com, Webvote, Patriot, Votehere.net, Safevote and Voicevoting.com filled rows of competing kiosks, many decorated in star-spangled Americana with eagles and flags.

Government buyers from around the country, clutching bags of brochures, wandered the aisles and gathered around demonstrations. Most of the machines had similar features, like touch screen technology that puts a large X or a check on the voter's selection. But few of the machines look anything alike. One resembles a giant Gameboy, another has a fancy Web-style graphic interface and a third has a no-frills, government-grade appearance.

The slick sales pitches also make competing claims, like whether off-the-shelf software is more or less secure than a proprietary version; whether votes can be securely transmitted on dedicated lines and whether the future of the industry is going to be in hardware or software.

One option for local officials is to buy several thousand new voting machines and hope they last 15 years or more to amortize the huge purchase price — as much as $5,000 per unit. Another option, offered by a few companies, is to lease the voting machines at a low up-front cost and sign a contract that guarantees regular updates to software and hardware. It's a difficult choice because there is more at stake than just cost and performance. Government officials also worry about the ethics of letting private vendors into the business of running elections.

"I'm glad this is here," said Bob Mullholland, political director for the state Democratic Party, echoing a common view at the expo. "But somebody very smart has to figure out what's best for California."

Unfortunately, election officials are among the most inexperienced buyers in government. Consider Los Angeles. Its current punch card ballot was brand new in 1968. LA County Registrar Conny B. McCormack would like to wait a few more years for election technology to develop and for the county to make a detailed assessment of its enormous operation.

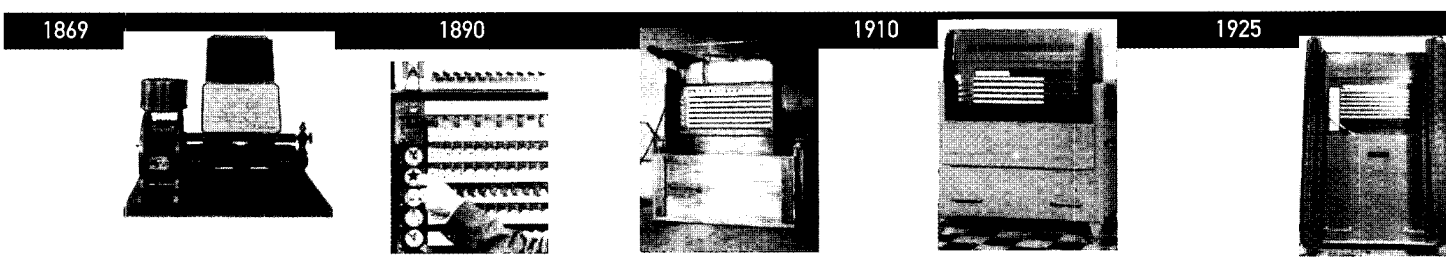
"Touch screen voting technology is in its infancy," she wrote in a letter to the LA Board of Supervisors last fall. "Converting too rapidly to a new voting system ... could relegate the county to an expensive acquisition of first-generation electronic voting technology. Most election officials and academicians ... recommend waiting a few years for greater maturation of electronic voting systems."

Waiting, however, does not appear to be an option, as the letter went on to describe.

Last fall, Secretary of State Bill Jones ordered that all punch card ballot systems be eliminated by January 2006. Moreover, Jones is the defen-

The evolution of the voting machine 1869-2000

Thomas Edison invented the first voting machine in 1869, though it was never used publicly. The first election using a voting machine took place in 1892 in Niagra County, New York on equipment developed by Jacob H. Meyers, a Rochester, N.Y. safe maker. Meyers' objective was to mechanically protect the voter from "rascaldom" and make the ballot casting process "perfectly plain, simple, and secret." Meyers' company continued to develop and improve his machines, as illustrated by the historic photographs on this page.



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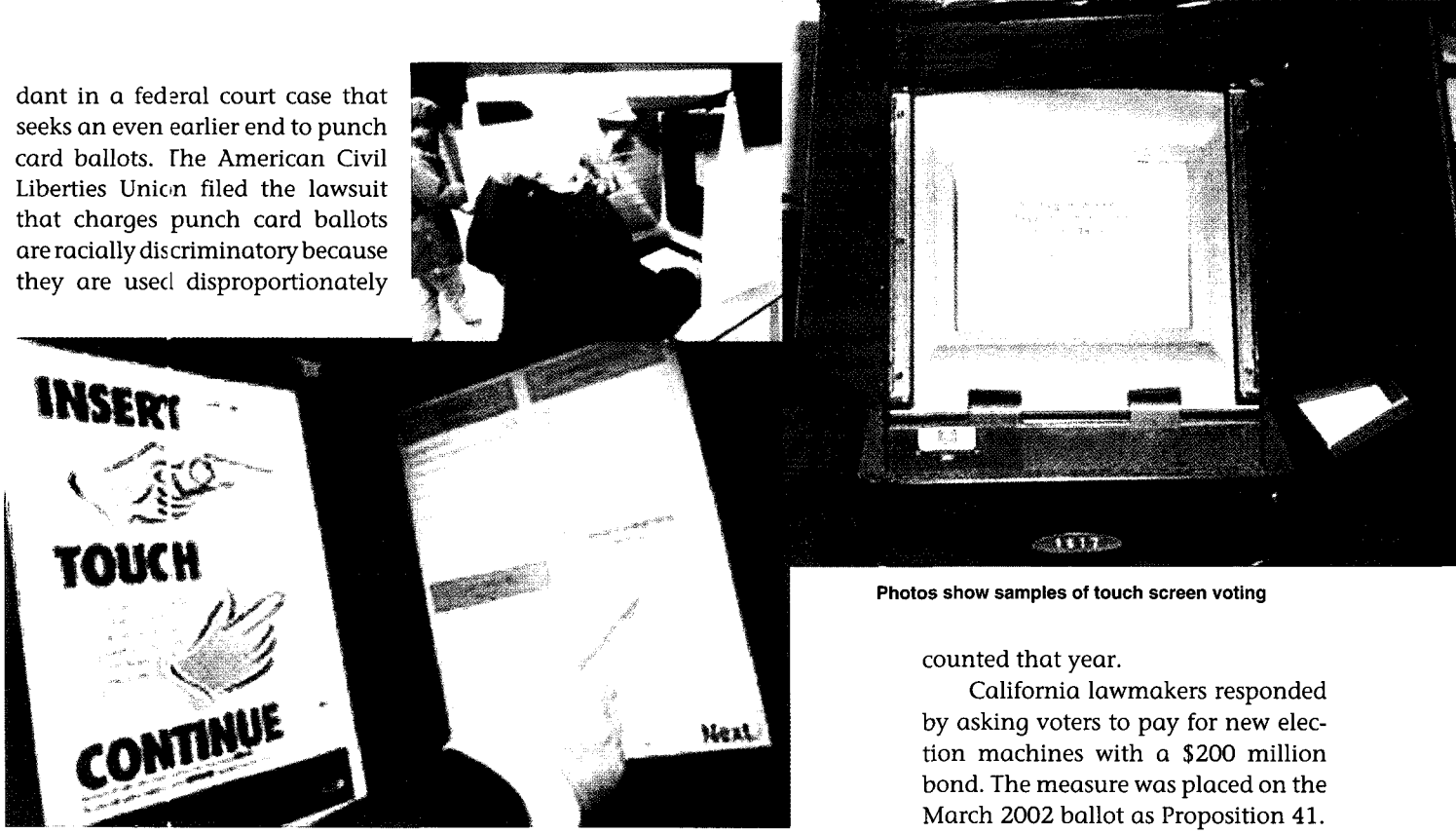
dant in a federal court case that seeks an even earlier end to punch card ballots. The American Civil Liberties Union filed the lawsuit that charges punch card ballots are racially discriminatory because they are used disproportionately by minority voters.



Photos show samples of touch screen voting

"The punch-card voting machines ... belong in junkyards, not voting booths," said Mark Rosenbaum, ACLU legal director in Southern California.

The problem with punch card ballots is now infamous, thanks to the Florida fiasco that delayed the last presidential tally and required a U.S. Supreme Court decision that led to George Bush's victory. The punch cards create paper chads that can foul a ballot reading device, and they don't adequately ensure that voters mark their intended choices.

But converting punch card ballots to any other system is a major challenge, especially for California. More than half the state's voters still cast ballots on punch cards, compared with about one-third nationally. Los Angeles County, with 4 million voters, is the largest jurisdiction in the country still using punch cards.

In the last presidential election, Los Angeles County rejected 72,000 ballots, representing a vote larger than the entire electorate in 26 California counties. Statewide, more than 187,000 punch card ballots were cast but not counted that year.

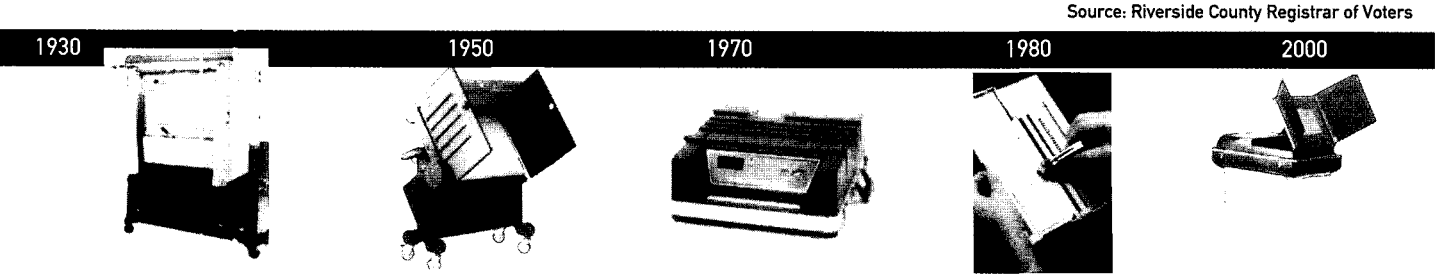
California lawmakers responded by asking voters to pay for new election machines with a $200 million bond. The measure was placed on the March 2002 ballot as Proposition 41.

Congress is also considering $2.5 billion to pay for new election machines. But in both cases, the funding momentum has dropped due to the terrorist attacks and the declining economy. The federal bill, which kicked off with a prominent bipartisan announcement, is now considered shaky. And the state funding was initially offered as a $300 million budget expense before lawmakers decided to use a smaller bond measure instead.

Without state or federal support, however, there is little hope that the flawed punch cards will be replaced. Los Angeles estimates a conversion to

Voting machines continued to evolve during the second half of the 20th century as did Meyers' company, which changed hands several times, ultimately becoming Sequoia Voting Equipment. Sequoia provided Riverside County with the 4,000 electronic machines used in the 2000 election, the largest use yet of touch-screen electronic equipment in the United States.

Source: Riverside County Registrar of Voters



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touch-screen computers will cost $100 million for the purchase alone, not counting significant maintenance and related costs. It is hoping for $75 million from Proposition 41.

There are eight other counties in California still using the flawed punch cards, including some of the biggest, like San Diego, Alameda, Santa Clara and Sacramento.

Some experts recommend that counties consider an optical scan voting system, which may be cheaper than touch screen computers. The optical scan systems use a paper ballot, but the voter's choice is recorded with a pen mark instead of a hole punch. An electronic scanning device can also read the ballots at the polling place so that any rejected tallies can be identified while the voter is still present.

But Los Angeles, Alameda and other counties have decided that paper ballots of any kind are outdated and that touch-screen voting is the best investment. And San Francisco, which recently purchased an optical scan system, is having some regrets. One reason is that it is costly to print paper ballots for multiple districts in several languages. Another reason is that Riverside County has had a very successful experience with its new touch-screen system. Riverside's presidential tally in 2000 was touted as the largest U.S. election ever conducted on a touch-screen voting system and, except for a few small pilot projects, the only one so far in California.

Riverside Registrar Michelle Townsend estimates the new system will save $600,000 in printing costs for each election cycle. The county is required to prepare 170 different ballots to accommodate all of its district and language requirements. Previously, Townsend has thrown away pallets of unopened ballots when voter turnout was unexpectedly low.

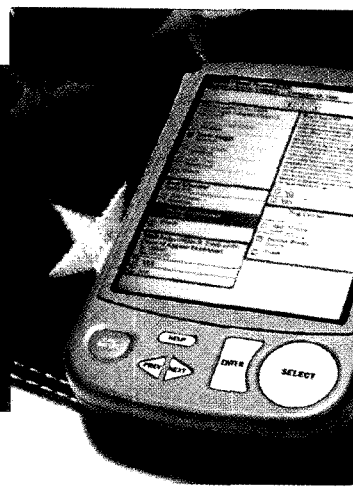
Eventually, election officials also predict that state law will eliminate a requirement that voters cast their ballot at a local precinct since all of the computers in a county can be programmed with each individual district ballot. Technically, it could even be done statewide or nationally within a few years, allowing a San Francsico voter to cast a local ballot in San Diego or even in New York.

Computers, of course, can also count the vote much faster than paper machines. Last spring, with an audience of media and election officials from around the country watching, Riverside computers were matched one-on-one against a punch card system when a special election was held in an Assembly district that straddled Riverside and San Bernardino counties.

It wasn't even a contest.

Two-thirds of the district voters were in Riverside County, but when the last computer ballot was counted barely an hour after the polls closed,

"Touch screen voting technology is in its infancy. Most election officials ... recommend waiting a few years for greater maturation of electronic voting systems."
— LA County Registrar Conny B. McCormack



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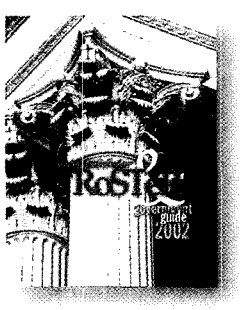

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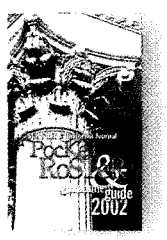

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San Bernardino had not posted a single result.

"We are affirmed tonight," Townsend declared.

Even with the dazzling performance, however, experts warn that Riverside has taken a considerable risk in buying such an untested computer system. It spent $14 million on a technology that is certain to evolve — most importantly in regard to security, cost and new voting opportunities like the Internet.

"What they've been doing in Riverside is phenomenal because they are on the frontier, really trying to make this technology work," said R. Michael Alvarez, a professor at the California Institute of Technology in Pasadena and co-author of a recent study on computer voting. But "when you look at Riverside and their purchase of 4,000 machines, you have to ask, 'Are you putting an awfully large investment in a relatively antiquated computer technology that you are going to be stuck with for 10 or 20 years?' "

Normally, county officials researching a major purchase like this might be guided by academic studies or federal election experts. But the changes in technology and the scramble after Florida have created confusion everywhere.

Two academic studies that looked at new computer technology last year came to different conclusions. The one by Cal-Tech in Pasadena and the Massachusetts Institute of Technology raised questions about the touch-screen market. But another conducted by UC Berkeley and funded by Sequoia Pacific Voting Equipment Inc., maker of the Riverside machines, concluded that new touch-screen computers live up to their promise.

Meanwhile, the federal standards used to test voting machines today were written more than 13 years ago. In 1998, a study for the Federal Election Commission said the national testing standards were "out of date." It also warned "the success or failure of the... [testing] program has the potential to affect each of the approximately 3,200 counties, 13,000 election offices and 180,000 precincts nationwide."

The FEC is now scrambling to update the testing standards, and a draft form has been issued. The review is scheduled to be completed this spring. But until new standards are in place, experts said there isn't a national test that simulates an attack from a malicious hacker.

The lack of such a test highlights a major concern regarding computerized voting — security. While many lawmakers complain about the problems with paper, many also wonder whether voters are ready to trust technology with democracy's most critical function.

Polls show the public is still a long way from endorsing an election conducted on the Internet. And experts agree that the Internet is still too vulnerable. But there is even debate about the stand-alone machines used by Riverside today.

"Call me old-fashioned, whatever. I trust it when I can see it in black and white on paper," said Assemblyman Dennis Cardoza (D-Merced).

As a result, Proposition 41, the bond measure on this month's ballot, would only provide funding to counties that agree to purchase voting equipment that will produce a paper count of the election in addition to the electronic tally.

Most industry officials opposed the paper trail as unnecessary for machines that have several internal backup recording systems. But Howard Cramer, salesman for Sequoia Pacific, says it's also a sign of our times.

"The analogy I use is that, where I live in Colorado, we get a lot of hail storms," he said. "And when that happens there is a lot of insurance money. And when that happens, everybody with a hammer and a bag of nails is a roofer.

"Right now, we have a lot of roofers in the election industry."

David Lesher is editor of the California Journal. *He wrote this story while serving as a Visiting Journalist at the Public Policy Institute of California in San Francisco.*

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The Cutting Edge

How will technology change democracy? Mike McCurry offers a view from the vortex.

Edited by David Lesher

There is plenty of common ground between politics and technology. They're both wonderfully unpredictable. They both act like the center of the universe. And they've both been host to Mike McCurry.

Nearly four years after leaving his job as White House press secretary, McCurry has been in the high-tech world just long enough to experience the euphoria, the burst and the reality check. Today, he is the chairman and chief executive officer of Grassroots Enterprise, a company that offers proprietary software to corporations and interest groups seeking to organize their far-flung members and advocate positions through the Internet.

McCurry commutes between corporate offices in Washington, D.C., where he lives, and the Bay Area, where he grew up. The San Francisco headquarters just south of Market Street is dot-com hip with loft offices and warehouse chic designs. In Washington, his power address overlooks Pennsylvannia Avenue about halfway between the Capitol and the White House. The impressive surroundings seem irrelevant though. McCurry has the same disarming charm and sincerity that made him such an effective gatekeeper during the most trying times of the Clinton administration.

These days, as he explains in this interview with the *California Journal,* McCurry is focused on a new and hopeful business model for a company founded in 1999 as Grassroots.com. Like others, Grassroots navigated the seductive, uncharted and treacherous cutting edge between technology and politics. Last year, as some of its rivals folded, the company emerged with a new mission and a new name — Grassroots Enterprise.

From a business perspective, the experience has been a learning one. But there has never been any doubt that the latest communication technologies present valuable opportunities for grassroots-style organizing. McCurry predicts there will be a new era in American democracy and political campaigns when virtual communities can be created without geography, and television commercials can be targeted by e-mail.

Q: How will new technologies change campaign strategies?

A: My view is that it will be the ultimate campaign finance reform because... it means you would have to spend less money on television

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advertising, which is a horribly inefficient way to communicate with voters. ...Campaigns in the future are going to be about saying, 'All right, I've identified this group of people within this constituency who respond well to my message about X, and I need to link them up with this group over here who respond to what I've been saying about Y and get them to see the connections between each other.' The technology would allow someone to build a coalition of disparate interests and create a majority.

Another thing, and this is the one that probably has the biggest potential to make change, is to match the traditional get-out-the-vote [GOTV] activities of a political party to e-mail addresses. Right now, you may walk precincts with your precinct list and identify your voters and get them to turn out at the polls. And that's all labor intensive and shoe leather or phone banking, that kind of thing. Once you've got an e-mail address as well as a snail mail address for that voter, then you can do it all via the Internet. There are a lot of people who are trying to crack that code right now. The Holy Grail right now is to take the state voter file information that is kept by a secretary of state and merge that with known e-mail directories so you get an ability to go to every single voter with some kind of e-mail message. And of course, e-mail messages by 2004 are going to be the equivalent of a 30-second ad because they'll be video, audio, very flashy, very rich in content.

The Holy Grail right now is to take the state voter file information that is kept by a secretary of state and merge that with known e-mail directories so you get an ability to go to every single voter with some kind of e-mail message.

Q: By 2004?

A: By 2004. You can do it now. ... We sell it to corporate customers. One... of our products was a Flash campaign used by the California Teachers Association to defeat Proposition 38 [in 2000, regarding school vouchers]. They sent an e-mail out to their teachers that they had e-mail addresses for and asked them in turn to forward this to other teachers to mobilize teachers. It had kind of a viral strike quality. And for the CTA, it really helped. They didn't have but a small fraction of their organization in an e-mail address database. But they used this technology to build up their database of e-mail addresses.

Q: What other ways has technology changed politics to date?

A: A couple of pretty interesting ways. One, I think this past [presidential] campaign demonstrated the utility of the Internet as a fund-raiser. This is increasingly important because if they ever do pass campaign finance reform, all of the parties are going to have to collect small donations that are under the limit for hard money contribution limits that will be in the new federal campaign finance scheme. That would put a real premium on raising money on the Internet. In 2000, [Democratic presidential candidate] Bill Bradley demonstrated we could do that effectively. [Republican candidate John] McCain incorporated that, too. Just in terms of organizing, one of the things you have to do if you are building a national campaign structure is identify your supporters and build them into some cohesive group. And McCain demonstrated you can do that very rapidly online. The conventional wisdom going into the 2000 race was that you could not just rely on a big victory in New Hampshire to jump start a national campaign, there wouldn't be enough time because the schedule was "front loaded." And McCain just blew that conventional wisdom apart because in the space of about a week he created a viable campaign structure. He got it qualified on ballots and he started raising money and doing everything a national campaign has to do. [The Internet] allowed that organization to come together in real time.

Q: What were the lessons of 2000 for political dot-coms like Grassroots?

A: One of the lessons — and the one most important to this company — was that you can't — if you just deliver content — you are not going to be able to compete with large news organizations that do that already. I'm exhibit A in that. I'd get up and read the *New York Times, Washington Post* and *USA Today* and maybe when I got to work I'd scan the *Wall Street Journal* or the *LA Times* or some other combination of papers. That was about as much consuming of content as a human being can ever do in a day. And the idea... of being all excited and wanting to go to Grassroots.com to read additional quantities of information about politics is nuts. The universe of people who would do that is just about... zero.

Q: Is that just in hindsight?

A: In hindsight, the idea was that you would create a kind of Hyde Park speakers forum where people would congregate. It was called community content. There would be a kind of cyber cafe effect. Everybody would read their newspapers, or listen to their news and watch television.

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But then they would come to some common destination in order to argue, to participate, to see what the latest things were, to organize themselves into groups, to take action. They all had some notion, a primitive notion, that it had to be more about content, and nobody knew exactly what it was supposed to be beyond content. And, of course, some business models were just that since, gee, everybody will come, then we'll advertise to them, and we'll sell them things and, we'll sign them up for campaigns, and we'll do all of that stuff. And the real flaw in the first place was: How do you drive traffic to the site? What Voter.com and SpeakOut.com both did to drive traffic was to spend enormous amounts of money on marketing... They had kiosks in the lobby of the [national political] conventions and [they threw] parties. And of course, everybody is going to the party, and nobody is signing on to the site. Given what the traffic is and what you can charge for banner advertising or even associated activities with your traffic, there is no revenue model that makes that a profitable cause. Meanwhile, back here, we had taken our $20 million we had left and plowed it into software development, to make this communication process between an organization and its members more fluid. So we started the transformation last summer. Now we've got to get people to really use this product, which is a different question.

Mike McCurry

But the... assumption of the political dot-coms was that there was this great audience out there anxious to spend all day online getting and discovering new content about politics — and it was just not there. But what was there, and what is there, is that there are people who really want this to be available as a tool to take action and to organize and to get their petitions sent out and to advance whatever their cause is... If you can get in their hands a product that does that, then you've got a much better chance at making a run at it.

Q: How do you see Grassroots in terms of for-profit and nonprofit clients?

A: Well, suffice to say, our target market is going to be more of the corporate public affairs market that wants to have large mobilization of their work force or allies or vendors around particular issues, particularly because they have more money to spend. But they're going to be matched in many cases by the Sierra Club, by labor unions, by other organizations trying to mobilize their allies. Our view right now is, as a technology company, we want to be sort of the Microsoft Word of these organizations — anybody can use our product to drive their own content, [we] just provide the channel of communication.

Q: How does Grassroots compare to a public relations company that is also creating an electronic component for its clients?

A: Well, they really aren't. Therein lies the story. A PR company will help. They'll say to a client that we'll create a Web site for you, and then they'll go out and hire a Web-site designer or they'll have one in house. But very few of them, with one exception, which is Burson-Marsteller, have developed any real software that executes the elements of an online campaign. Now there are vendors that customize that and do it on subcontract for big PR companies. What we're trying to do is to be a technology provider that markets that and allow a typical PR firm... to use our technology and then custom build a campaign around it.

Q: Back to politics. Do you think the Internet will produce a more educated electorate and, perhaps, increase voter turnout?

A: Yes. Every newspaper prints that little voter guide that goes in as a supplement on the Wednesday before the election. And a lot of people use that. A lot of people don't find out anything about their school board candidates and don't find out anything about their city council candidates and don't think about it until the weekend before the election. Now the thing that's just crazy to me is that newspapers seem to fail to recognize that. They have a little different concept of the business they're in. They're in the news business. And in the news business, once we've told you the story, then it's not news any more. So we move onto something else. And communications, in politics, is about repetition. Advertising is about pound, pound, pound the exact same message over and over again. It's so aggravating to me to see stories about the presidential debates that say the candidates stuck to their standard lines in the attack and broke no new ground in the debate. Well, you know, people say, 'Wait a minute. It's new to me.' ... So I think sooner or later somebody is going to recognize this and my sneaky idea is, let's take over those voter guides that newspapers put together and just print... the online guide, where you can come and get all kinds of information. You want to read the position paper on this guy? Here. You want to read the six articles that we wrote on the candidate's positions on health care last summer when we were interested in it and you weren't? Go here. Then you've got very rich content.

Q: Do you think the Internet will make it easier to create a viable third party?

A: Yes. Think of how much more highly effective [Ross] Perot might have been in 1992 having a kind of virtual campaign run nationally. You wouldn't need the infrastructure of a national party institution that way, although I suspect this is also a way to reinvigorate the national party institutions with some sense of why it ties together and holds together rather than just try to win the next election.

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For decades, poverty was lower in California than elsewhere in the U.S. Not any more. This report from the Public Policy Institute of California reveals a higher need in the Golden State.

By Deborah Reed

California below

For people in many parts of the country and the world, California is synonymous with wealth, opportunity — and extremes. When it slid during the recession of the early 1990s, it slid farther than many other parts of the country. When it rebounded, the technological boom was felt around the world. By the end of that recent boom, it had become the fifth-largest economy in the world — not something one necessarily associates with high poverty rates.

Yet, the truth is that after keeping its poverty levels below the national average for decades, the trend is now reversed. Today — and even during the recent years of prosperity — California poverty rates exceed the rest of the country, where poverty is at its lowest level in more than 30 years.

As in other states, the poverty rate in California moves with the economy, growing during recessions and declining in good economic times. During the state's rapid economic growth from 1994 to 2000, poor families benefited and the state poverty rate declined. But it also declined nationally, and today, Californians are still more likely to be poor than people elsewhere.

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the poverty line

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The state's poverty rate caught up and passed the rest of the nation in the late 1980s. Earlier, in 1969, the poverty rate in California was more than 3 points below the rest of the nation (9.1 percent compared to 12.5 percent). By 2000, California was nearly 2 points higher (12.9 percent compared to 11 percent).

Looked at in another way, California's poverty rate ranked 30th in the nation in 1980; by 2000, it was 12th. The highest poverty state in 2000 was New Mexico, followed by Louisiana and the District of Columbia.

The finding has significant financial and policy implications for California since a substantial share of the state's $100 billion budget is spent on services for low-income families and workers. In the long term, the research also indicates that conditions responsible for California's higher poverty rate could improve.

But analyzing the causes and seeking solutions to the problem are difficult because poverty varies by region, ethnicity, age and other factors. Also, the severity of the problem depends on how it is measured.

For example, here are some of the factors by which poverty varies within the state. (The statistics below are based on the standard measure of poverty: the share of people who live in families with income at or below the official federal threshold. In 2000, a family of two adults and two children was considered poor if its annual income was below $17,463).

• **Racial and ethnic groups**: In 2000, among families whose heads of household were born in this country, the poverty rate for California whites was 8 percent, for Asians 9 percent, for African Americans 17 percent, and for Hispanics 18 percent. The highest poverty rates were for foreign-born Southeast Asians (23 percent) and foreign-born Hispanics (27 percent).

• **California regions**: Poverty was lowest in the San Francisco Bay Area at 7 percent, and highest in the San Joaquin Valley at 22 percent. It was 17 percent in Los Angeles County.

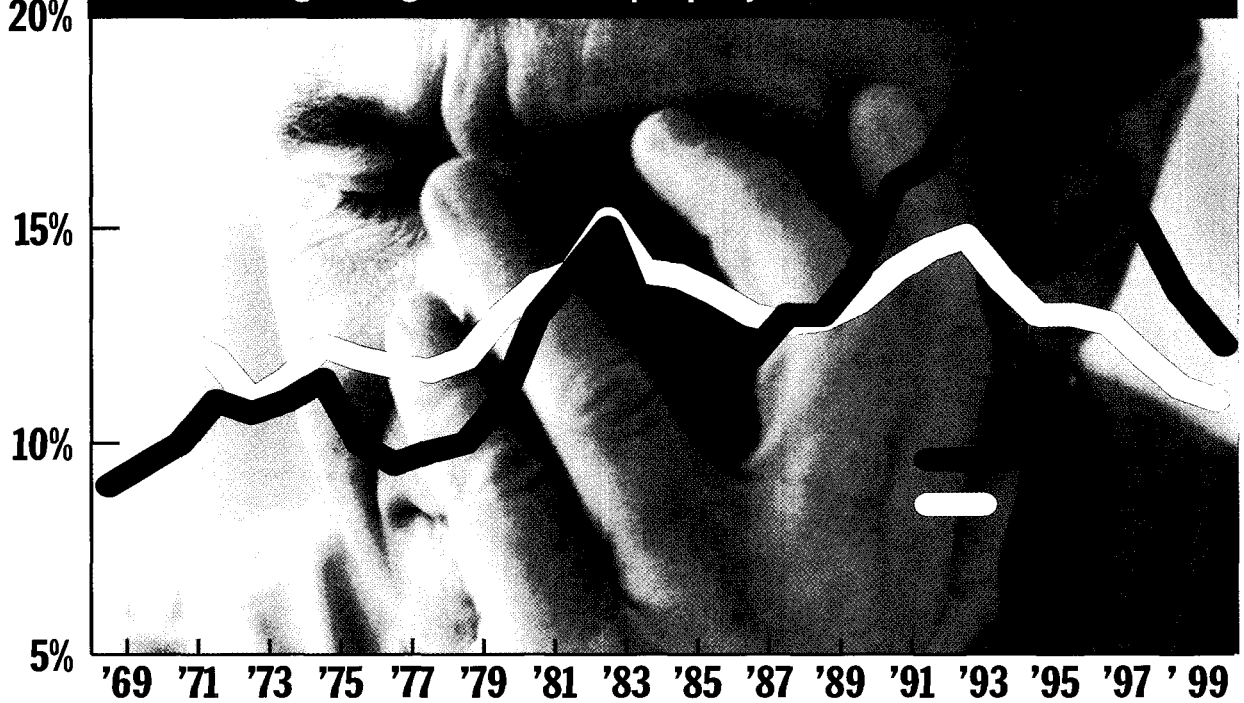
• **Family structure**: Thirty-seven percent of people in families headed by single women with children were living below the poverty level, the highest rate among the four major family types. The poverty rate was 18 percent for single adults without children, 12 percent for married families with children, and 4 percent for married families without children. To a greater or lesser degree, these statistics represent an increase for all four types over the last two decades — a marked contrast to the rest of the nation, where poverty rates have declined for all four.

• **Age groups**: California's children have particularly high poverty rates. These rates grew from 11 percent in the late 1960s to almost 19 percent in 2000, compared with 16 percent in the rest of the country. Poverty rates for the elderly are much lower. While the rates increased from 4.8 percent in 1989 to 7.7 percent in 2000, they were still lower than the 10 percent for the rest of the nation.

One concern with the standard poverty measure, as used above, is that it does not reflect variation in the cost of living across states and regions. Using measures that account for these variations, poverty rates are even higher in California.

If the California poverty threshold were set at one-half the state's median family income, it would be $26,347 for a family of four in California. By this measure, the state's poverty rate in 2000 was 24 percent, compared to 21 percent in the rest of the nation. That would give California

California's poverty rate passed the U.S. rate about 1989 and remained above the national average through recession and prosperity of the 1990s.



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the second-h ghest rate in the nation, after Washington, D.C.

Regional price differences, particularly housing costs, also affect the income needs of poor families. In San Francisco, for example, the U. S. Department of Housing and Urban Development estimates the annual fair-market rent for a two-bedroom apartment at $16, 344 — representing more than 90 percent of the national poverty budget for a family of four. If we adjust for housing costs, California's poverty rate was 15 percent in 2000. The state would have the fifth-highest poverty in the country, behind Washington, D.C., New Mexico, New York, and Louisiana.

In 1970, 1.9 million people were poor in California. In 2000, that number more than doubled to 4.4 million, roughly equal to the populations of the cities of Los Angeles and San Francisco.

The stark reality of how many Californians live in poverty is even more apparent when it's presented in raw numbers. In 1970, 1.9 million people were poor in California. In 2000 that number more than doubled to 4.4 million, roughly equal to the combined populations of the cities of Los Angeles and San Francisco.

Why California rates are high

The explanation for the state's high poverty rates is not without irony. California's prosperity has always made it a magnet for those fleeing poverty or simply seeking a better life — from the 1930s victims of the Dust Bowl to the 1990s Asian entrepreneurs in Silicon Valley. This magnetism is a major reason for California's high poverty rates.

Research indicates the high overall poverty rate compared to the rest of the nation is mainly due to California's larger share of high-poverty groups, particularly Hispanics and Hispanic immigrants. Over the last two decades, poverty increased substantially among Hispanics in California, going from 18 percent in the late 1970s to about 24 percent in 2000. At the same time, over 30 percent of Californians were Hispanic in 2000 while in the rest of the nation, 10 percent were Hispanic.

From the standpoint of California's future, the condition of the state's children presents the greatest challenge. In 2000 almost one of every five children in the state lived in poverty. The national figure is 16 percent or one in six.

Several factors provide hope for improvement and implications for policy. Almost half of the state's children aged 5 or younger are in families headed by an immigrant. Nearly all of these children were born in this country and, as we have also seen, poverty rates for those born in the United States are lower. In other words, we can expect lower poverty rates for this second generation of immigrants.

Second-generation immigrants are less likely to be in poverty, by and large, because they have more education. Nevertheless, in 2000 the poverty rate for U.S.-born Hispanics (18 percent) was more than twice that of whites (8 percent). The challenge for the state is to improve their economic potential. Children who grow up poor not only suffer from lack of resources in childhood, they are also more likely to raise their own families in poverty. To break the cycle requires a focus on programs aimed at improving their chances of completing high school, entering college and. in turn, learning higher incomes.

Deborah Reed is an economist and program director for population research at the Public Policy Institute of California (PPIC) in San Francisco.

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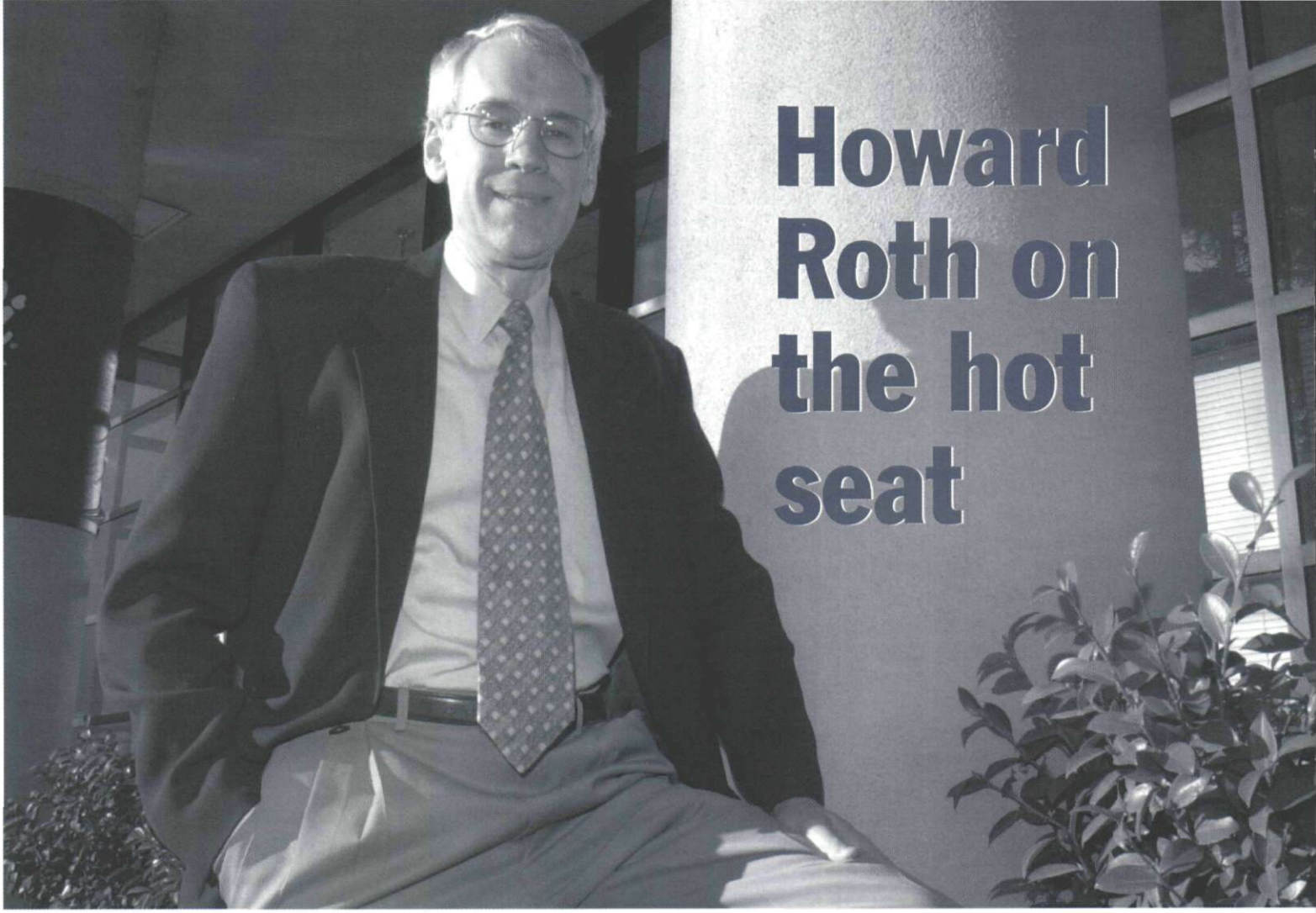

Howard Roth on the hot seat

State budgets can appear either rosy or grim, depending on forecasts issued by the Department of Finance. And those forecasts often depend on how accurately the state's chief economist can divine the future of California's economy. **By Susan Rasky**

There is something almost invigorating about the resumption this year of the semi-annual budget food fight between the governor's office and the Capitol press corps. The hostilities were evident in the "we-know-we-aren't-really-fooling-you-but-we're-going-to-make-you-work-to-figure-out-what-we-did" arrogance that permeated the administration's presentation of the budget numbers in January, and in the "you-know-that-no-matter-what-you-explain-we're-going-to-show-how-you-tried-to-cook-the-books" cynicism that will continue to color the media's approach to budget coverage until the May revise.

Things haven't been nearly this edgy in several years thanks to a robust state economy and a booming stock market that kept the budget in the black. But with the economy and the stock-option fueled revenue machine now operating in reverse, budget making becomes real work. Add election year politics, and it's perfectly reasonable that "Gotcha!" is the only game in town.

Of course, if you happen to be a newcomer to the folkways of the Capitol, and you're responsible for economic assumptions that underlie the budget, Gotcha! isn't necessarily the environment in which you do your best work.

Howard Roth is beginning to figure this out. He is the new principal economist at the Department of Finance, replacing veteran Ted Gibson who retired in December. Roth came on board last fall to overlap with Gibson, who handled the November forecast on which the January budget is based. But the May revise, with its critical revenue forecast on which budget numbers and decisions hinge, will be, at least in its purest form, all his.

"In this job, it's not enough to get the growth rate right," Roth says, betraying just the slightest trace of nostalgia for the saner corporate world in which he prepared economic forecasts for Security Pacific Bank and,

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until 1999, the Bank of America. "It's the growth level that you have to get, and that's much harder."

That of course is not the only difference between the corporate and public sectors. He took a substantial salary cut earning just under $100,000 a year; he has had to adapt to the "drop-everything, need-it-now" pacing of the governor's front office staff, which means wearing a beeper and being on call round the clock.

And then there is his office, in a building across the street from the Capitol and the main DOF venue. It is a cramped, windowless space painted a sickly blue with a drab grey "contrast" wall behind the desk. "They tell me the furniture is made by prisoners," Roth says grinning.

Gibson was assigned the same quarters, though former colleagues say he frequently roamed elsewhere, particularly in the Capitol. Also a former bank economist, Gibson joined DOF in 1987, acquiring over time the internal clout and independence to go toe-to-toe with his bosses, including governors, when too many political hands tried to tweak his forecasts. As of mid-January, Roth had yet to be in a small room with the governor, let alone one-on-one. He didn't seem troubled by that, just curious.

Soft spoken and slender with a thatch of curly gray hair, the 54-year-old Roth is, at least physically, much the opposite of his predecessor, who was described by one writer as having a "Santa Claus-like figure."

Gibson recruited Roth, having known him as a fellow member of the California Chamber of Commerce Economic Advisory Council. The spoils of a stint as council president — a sorcerer's pointed hat and a crystal ball — sit atop the bookcase in Roth's otherwise unadorned office.

The more modern — though not always more accurate — tool of trade is the econometric model, basically a series of simultaneous equations designed to simulate the interactions of the economy. The Department of Finance subscribes to a model for the national economy put out by DRI-WEFA, a leading forecasting firm. But forecasting the state's economy is a trickier job, and the process involves both the department model and a lot of tweaking and guesswork.

During Governor Pete Wilson's administration, Republican lawmakers pushed for building a so-called dynamic model that would capture the "revenue feedback effects" of tax cuts. Proponents of this feedback notion had argued, *a la* Reagan era supply-siders, that tax cuts more than paid for themselves in increased revenues for the state.

"It turns out that the biggest result you recover is 30 percent," Roth said, noting that California law no longer requires use of the dynamic model to calculate the revenue effects of tax cuts.

Roth is well steeped in econometrics. His dissertation at the University of Michigan was an analysis of "auto-correlated disturbances" in economic forecasting. But like his predecessor, he prefers his own instincts to what gets cranked through the model. "I'd like to think I'm relying on my gut some," he says.

The fact is state forecasting is not widely done, nor is it done particularly well. A number of California companies, including PG&E and the big banks, used to employ in-house economists, which Roth says he can now count on the fingers of one hand. That leaves state and regional forecasting to academics, a few think tanks, and mostly government agencies.

"What we have," he says, trying to describe the DOF forecasting process, "is a lot of spread sheets. We look at 100 industries, and then we estimate California from the bottom up. We take industrial production, and then we derive income growth and we sort of build our way up to wages and salaries and personal income."

And revenues?

Ah, revenues, the touchiest part of the DOF forecast at the moment, since the department and the Legislative Analyst's Office are in some disagreement about how bad the revenue situation looks over the next year. The administration is far more optimistic than the LAO about personal income tax receipts, which in turn reflect more optimistic assumptions about the stock market.

If LAO is correct, putting the budget together over the summer will be painful. Roth's first test will come not so much in compiling the estimates and forecast for the May revise but in walking the line between what his political bosses would like that forecast to be and what his own experience and professional reputation might require him to produce.

Recent history at the Department of Finance may be on his side. Gibson's predecessor was Pauline Sweezy, described by those who knew and worked with her as a veritable force of nature. Sweezy's insistence on independence and meticulous state data collection is one reason the department's forecasting on key numbers is generally better than that of the federal government.

When Gibson departed last December, one DOF colleague offered a toast. Howard, he said, you're going to have to find your own path. Ted's shoes will be impossible to fill.

Contributing Editor Susan Rasky teaches journalism at the University of California, Berkeley, Graduate School of Journalism. Comments on this article may be sent to **edit@statenet.com.**

Howard Roth

Career

Freeman Associates Investment Management,
Sr. Vice President of Financial Economics, 1999-2001
BankAmerica Corporation, Director of Regional
Economics, 1992-1999
Security Pacific Corporation, Chief Economist, 1990-1992
Federal Reserve Bank of Kansas City
Economist, 1982-1988

Education

University of Michigan, PhD., Economics, 1982
University of Michigan, MA.,Economics, 1978
Case Western Reserve University, BS.,Engineering, 1969

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Book Excerpt

Who are these people

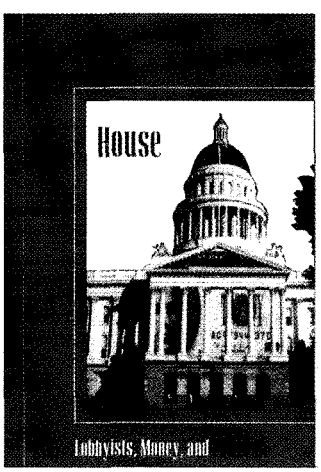
By Dan Walters and Jay Michael

CHAPTER 1

"A party machine can be challenged at the polls, but as long as Artie controls the interest groups his power is beyond dispute."

— Carey McWilliams on pioneer lobbyist Artie Samish

It's late August and even at 10 p.m., the temperature in downtown Sacramento is stuck in the high 80s as summer heat radiates from concrete sidewalks and the marble walls of high-rise office buildings. The powerful air conditioners atop California's wedding cake Capitol building are humming and maintaining what its thermostats say is a comfortable 72 degrees in its wide corridors. But in one of those corridors, which run along the rear of the chambers of both legislative houses, dozens of well-dressed men and women try not to sweat as they stand shoulder-to-shoulder. They're chatting among themselves, whispering into pocket phones, glancing at television monitors mounted near the corridor ceiling, munching on stale doughnuts, trying to work their way toward doorways guarded by legislative sergeants-at-arms and, most of all, worrying about what legislators on the other side of the wall are doing. A few lobbyists escape from the pack and amuse themselves by leaning over the railing of the Capitol's rotunda and pitching coins into the crown of a statue of Queen Isabella on the floor below. Few, if any, of the coins actually make it into the crown and on mornings after a long session, the floor is littered with misdirected coins. Some of the lobbyists slip across the street to a bar where television monitors tuned to the legislative floors allow lobbyists to monitor the action while fortifying themselves for battles yet to come. The less alcohol-inclined repair to the Capitol's sixth floor cafeteria, which remains open late and keeps its TV sets tuned to the floors.



The Third House: Lobbyists, Money and Power in Sacramento **was published in March by the Berkeley Public Policy Press. It is available in capital-area bookstores or through the UC Berkeley Institute for Governmental Studies at 510-642-6723.**

It's the last night of the annual legislative session, and lawmakers of the nation's richest and most populous state are churning their way through hundreds of bills, some of which are undergoing last-second amendments to change their effect, as the midnight adjournment nears. What the legislators do, or don't do, in the next 120 minutes could mean hundreds of millions, even billions, of dollars to businesses, labor unions, professional organizations, and government agencies. And these groups depend on their lobbyists — what Capitol insiders have long called "the third house"— to protect their interests.

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called lobbyists?

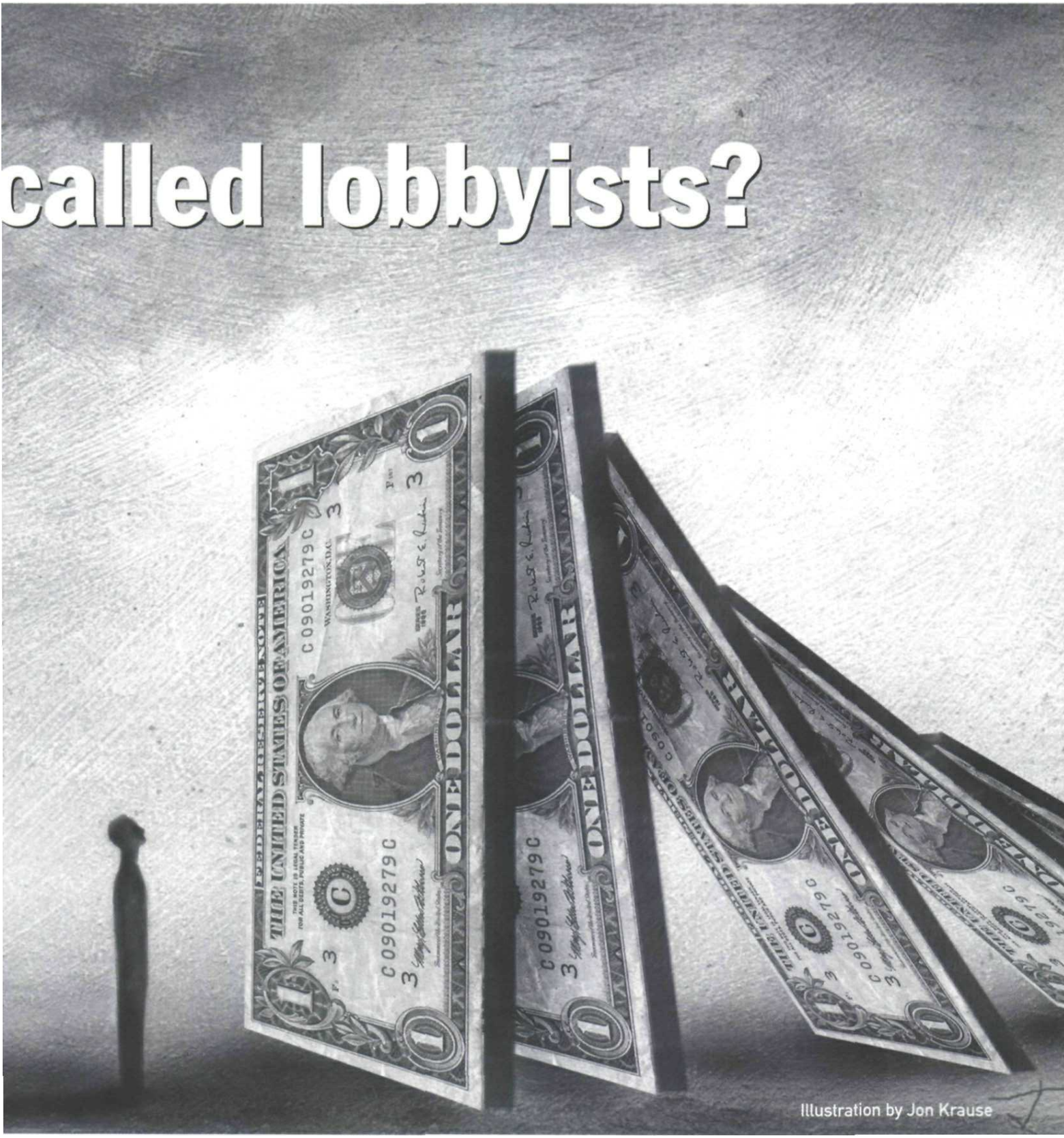

Illustration by Jon Krause

They've spent months, even years, gathering information, attending legislative hearings, negotiating with each other, with legislators and/or with legislative staff members, schmoozing at restaurants and on fishing trips and golf excursions, spending thousands of their clients' dollars on tickets to campaign fund-raising events, flacking the media, and organizing outside-the-Capitol influence. It is all aimed at strengthening the "three-legged stool" of effective political action. Money, grass-roots action, and lobbying expertise, veterans of the trade believe, interact

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with one another to create a synergy that's essential to success in policy arenas. They know that the public face of politics — the campaigns that pander to various constituencies, the legislative hearings, the debates on bills, the news conferences and media events — is just for show, and that lobbyists represent the real focus of the Capitol that most of the public doesn't even know exists.

As midnight approaches, some issues have been settled and some lobbyists have the luxury of skipping the last, frantic hours of the legislative session, their efforts done for the year — if they can bear to stay away from the action. But for hundreds of lobbyists, this is the moment of truth, when they learn whether their work will pay off. After the final vote is taken, the gavel bangs for the last time and legislators scatter, lobbyists will tote up their wins and losses and devote the autumn to convincing their employers that what's been done has been worth the effort, a task many consider to be more difficult than lobbying itself, and persuading them to replenish, and perhaps expand, their lobbying budgets for another year of political combat. Chances are, when legislators return to Sacramento a few months later to begin the process again, they will be greeted by even more lobbyists representing even more clients.

[Lobbyists] know that the public face of politics... is just for show, and that lobbyists represent the real focus of the Capitol that most of the public doesn't even know exists.

To fully appreciate the central, even commanding, role that lobbyists play in the Capitol of the 21st century, one must understand how California and its political decision-making process evolved in the 19th and 20th, and particularly how lobbyists shaped what happened from the earliest days of the state in the mid-19th century. When, for example, the first Legislature met in San Jose in 1849, those seeking positions in the brand-new state government developed the practice of setting up bars and dispensing free drinks to the legislators to win favors. As recounted by historians, a state senator named Thomas Green, who wanted to become commander of the state militia, would holler "a thousand drinks for everyone" at the end of every Senate session, finally pouring his way, as it were, into the generalship he craved and enshrining "The Legislature of a thousand drinks" in the pages of history. The Gold Rush brought tens of thousands of newcomers to the state, and they jousted constantly for land, water, navigation rights, and other exploitative advantages in the Legislature, which moved often before settling in Sacramento (by trickery, residents of the previous capital, Benicia, always contended) and building the Capitol that, having been restored in the 1970s, looks much as it did in 1900. Favor-seekers of the late 19th century routinely plied legislators with liquor, women, and cash, but as the century drew to an end, more respectable, if not more ethical, forces came to dominate the Capitol.

The dawn of the 20th century saw California, blessed with immense natural resources, beginning to show the economic promise that would become reality as it developed into the planet's fifth most powerful economy were it a separate nation. The Gold Rush that brought thousands of fortune-seekers to California a half-century earlier had faded, but the state's reputation as a place for new beginnings was still intact. While loggers chopped their way through the state's huge stands of timber, including the towering redwood trees of the North Coast, and corporate mining operations replaced the blue-jeaned gold-panners in exploiting the state's mineral wealth, railroads encouraged farmers to settle in the state's broad and fertile river valleys, especially the 450-mile-long Central Valley, to justify their investment in track and locomotives, while land speculators laid out entire new cities.

The railroads, especially the huge Southern Pacific, virtually owned the state through their ownership of vast tracts of land and their control of shipping and freight rates. Muckraker Frank Norris's novel "The Octopus," based on a bloody 1880 clash at Mussel Slough, southwest of Fresno, between farmers and railroad agents over the ownership of land, dramatized the turn-of-the-century conflicts that gave rise to reformers such as Hiram Johnson, who was born in Sacramento, saw first-hand how the Capitol had been corrupted and devoted his governorship to breaking the stranglehold of the railroads on California politics.

Southern Pacific had been fashioned by early California railroad tycoons from the Central Pacific, one of the two builders of the transcontinental railroad, and a host of smaller lines, extending the SP's tracks from one end of California to the other and its freight and passenger network through the Southwest from Arizona, New Mexico, and Texas to New Orleans. Its rapid expansion was fueled by the same monetary enticement that had made the cross-country line possible: huge tracts of free land on either side of the new lines as they were built. SP eventually acquired more than 11 million acres of land in California. It founded

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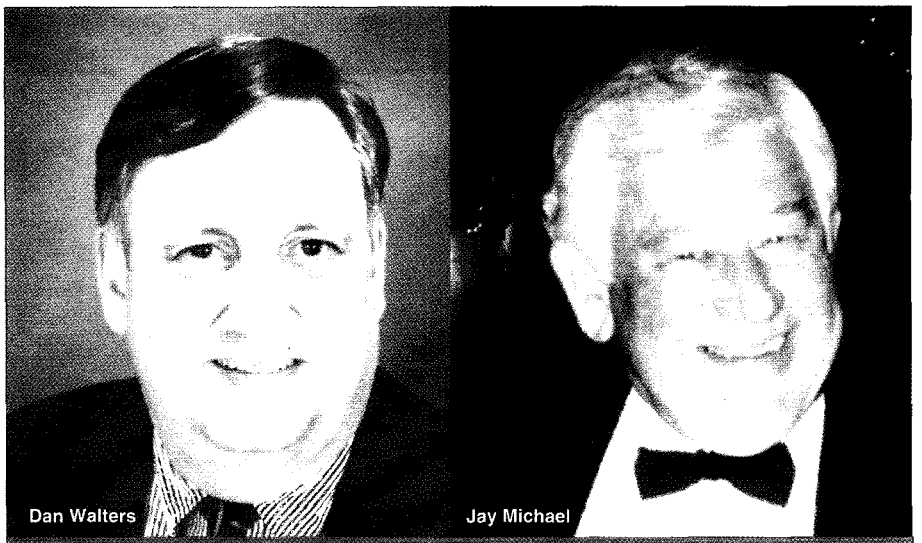
dozens of towns and lured farmers from Eastern states to buy its land, especially in the fertile Central Valley, and use the railroad for freight and passengers.

Southern Pacific's virtual monopoly on transportation in California during the late 19th century — there were few roads, almost no other railroads and SP also owned ferries and river steamers — gave it the opportunity to charge what many customers considered to be usurious rates for its services. Discontent among farmers led to political clashes — and a gun battle at Mussel Slough — and fueled demands for reform in how the railroad was regulated and taxed. But through its control of the state Legislature, SP was able to stave off demands for rate regulation. William Herrin, SP's chief counsel, became California's first powerful lobbyist, openly dispensing bribes to legislators in Sacramento — including free round-trip tickets on SP's passenger trains. Later, when anti-SP reforms were enacted, one of them was a prohibition on legislators' receiving freebies from transportation companies, and as late as the 1990s, some lawmakers ran afoul of the law by accepting gifts of airline tickets.



Dan Walters has been a journalist for more than 40 years. He joined *The Sacramento Union*'s Capitol bureau in 1975 and began writing a daily column in 1981. In 1984, he moved to the *Sacramento Bee*, where his column is published today. He is the author of *The New California: Facing the 21st Century*, a college text. Jay Michael retired in 2000 after more than 40 years as a Sacramento lobbyist. He represented the League of California Cities and the University of California. He left UC in 1976 and represented physicians and health care interests for 24 years. The book also includes a chapter by Daniel Weintraub, a columnist for the editorial pages of the *Sacramento Bee*.

Hiram Johnson gained fame as a prosecutor of San Francisco's graft-ridden city government, and in 1910, the reformist Lincoln-Roosevelt League — an offshoot of the Republican Party aligned with Theodore Roosevelt — ran Johnson as its candidate for governor. He was swept into office with a phalanx of reform-minded legislators, and the newcomers quickly enacted a flock of political and economic changes that continue to reverberate today. Viewing the railroad-influenced political parties as "vessels of corruption," Johnson and his allies championed reforms, such as direct primaries and cross-filing, that weakened parties and strengthened, or so they believed, individual voters. A Public Utilities Commission would oversee railroads and other monopolies, and the Legislature itself was to be kept in check through the initiative and referendum, which allowed voters to bypass the Capitol altogether to make law, or to overturn a law enacted by the Legislature and the governor. Johnson captured a U.S. Senate seat in 1916 and served nearly 30 years in the Senate, but the progressive-reformist tradition slumbered for a generation, until another former prosecutor, Earl Warren, woke it up in the 1940s.

The 1930s and 1940s saw California's economy undergo a major transformation, and with change came evolution in the nature of lobbying in Sacramento. The agrarian-resource economy that had been the basis for Southern Pacific's expansion gave way to manufacturing and to entirely new industries, such as motion pictures. The 1930s also saw a sharp expansion of state government, mirroring what was happening in New Deal Washington, and with that came renewed interest in influencing what the governor and the Legislature were doing. The time, in other words, was ripe for Artie Samish, who came to fill a vacuum that Hiram and the reformers had inadvertently created in their zealous campaign against political parties.

A one-time low-level clerk in San Francisco city government, Samish had come to Sacramento in 1918 to take an equally menial job in the Legislature, albeit one that gave him a detailed knowledge of legislative mechanics. In the early 1920s he switched to lobbying and after serving an apprenticeship to another lobbyist, set himself up as a "consultant" to trade associations, many of which he created and scored an early coup by gaining enactment of an amendment to the state public utilities code that gave a major competitive advantage to one of his first clients, a consortium of local bus lines on the San Francisco Peninsula that was later to become the nationwide Greyhound bus system. From that initial triumph, trade associations of liquor wholesalers, horse racing tracks, and other interests pumped huge fees into Samish's bank account in return for his uncanny ability to get friendly legislation passed.

Samish invented a system that was later put to productive use by other lobbyists and legislative leaders, one he called "select and elect." As Samish later explained in his book, *The Secret Boss of California,* a fascinating inside look at Sacramento in the 1930s, 1940s and 1950s: "First organize the interest group and convince the members to contribute funds for their own interests. Then, spend the money wisely to elect those who would be friendly to those interests." Continuing, Samish wrote, "I didn't care whether

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a man was a Republican or a Democrat or a Prohibitionist. I didn't care whether he voted against free love or for the boll weevil. All I cared about was how he voted on legislation affecting my clients." Thus, Samish was careful not to involve himself in the bigger issues of the day, as long as his clients' relatively minor interests were protected. Samish reinforced his position by maintaining a wide-open suite of rooms at the Senator Hotel, just across L Street from the Capitol, in which legislators could obtain food and drinks virtually around the clock, and by employing a coterie of spies who kept him constantly informed about anything he needed to know. He made certain that legislators in his flock could supplement their scanty legislative salaries with perfectly legal outside income, such as retainers for lawyers or policy sales for insurance brokers. Samish considered outright bribery to be not only illegal but "stupid, both on the part of the legislators and the lobbyists."

Artie Samish on the cover of a 1949 *Colliers* magazine about "The Secret Boss of California."

Samish made certain that legislators in his flock could supplement their scanty legislative salaries with perfectly legal outside income..

The system that Samish pioneered has not only survived but, in recent years, returned with a vengeance as legislative leadership has declined. The current term of art is "targeting," in which a legislative district is chosen by its demographic makeup or voting history as ripe for change, a candidate is selected for his or her friendliness to the intervening interest group's goals, and enough money is provided through various sources to help the selected politician win the election. When it's done skillfully and often enough, as Samish first discovered, the interest group achieves a Legislature so tilted in its favor that contests with rival interests are over before they begin.

What Samish's clients wanted, as often as not, was state regulation that would protect them against competitors and/or ensure their ability to set prices. Perhaps the most notorious examples of such interest-friendly regulation were the so-called "fair trade" liquor laws that allowed liquor manufacturers to set retail prices and, in effect, made price competition illegal — a pattern that continues in Sacramento. The most intense lobbying is conducted over issues of state regulation. Big business—automakers, computer companies or oil companies — is a relatively small player in the Capitol. The biggest employers of lobbyists are interest groups subject to state regulation, such as insurance companies, health care providers, gambling casinos, personal injury lawyers, and other governments. The governor and the Legislature set the rules by which they prosper or wither and that gives them a direct interest in affecting what's done in the Capitol.

One example regarding liquor laws illustrates the syndrome. While the Samish-spawned "fair trade" laws governing liquor sales were later wiped out by the courts, a few statutes remain unmolested, one of them being the "tied-house" law that prohibits anyone engaged in one level of the liquor industry — manufacturing, wholesaling, or retailing — from also engaging in another. The rationale for the law, however flawed, is that it prohibits monopolies. The practical effect is to require any company wishing to operate on more than one level to hire a lobbyist and come to the Legislature for a bill granting a special exemption. Thus, when the huge Seagram's liquor conglomerate bought a controlling interest in MCA, the parent corporation of Universal Studios, in the 1990s the deal was put on hold until the Legislature passed a tied-house exemption because Universal sells liquor at its theme parks. Or when wineries wanted to become retail sellers of wine or open liquor-dispensing restaurants, they had to get case-by-case exemptions. A blanket overhaul, and possibly repeal, of the tied-house laws might be warranted, but that would reduce the trade in exemptions, which would reduce lobbying income and the opportunities for legislators to expand their fund-raising hit lists.

Samish wasn't shy about what he did. He referred to himself as "the guy who gets things done" and allowed himself to be quoted in newspapers and magazines about the power he wielded in Sacramento. "I am the governor of the Legislature," he once boasted. "To hell with the governor of California." But his boastfulness and hubris were his undoing after decades of running the show — a syndrome that was to afflict other lobbyists from time to time. Four decades after Samish's reign had ended, for example, one of the most powerful lobbyists of his era, insurance industry advocate Clay Jackson, was sent to federal prison after offering to bribe a legislator who had been publicly identified as a federal target himself. The politician was wearing a radio transmitter, and the tapes of their conversations, later played to a jury, were Jackson's undoing.

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Deconstructing LA

by Sherry Bebitch Jeffe

So much of politics is about luck and timing. Los Angeles Mayor Jim Hahn is less than a year into his first term, but — like it or not — his legacy is already being shaped by an issue not of his making and one that he'd rather not face.

It's a matter of luck — either good or bad — and timing that the issue of secession is coming to a head on Hahn's watch. And the mayor is bound and determined to sidetrack movements in the San Fernando Valley, Hollywood and LA's Harbor area — Hahn's home turf — to break away from the city. There's no getting around the reality that his legacy will be defined by whether and how the secession wars are resolved.

Hahn's legacy will be defined by whether and how the secession wars are resolved.

"I believe it's absolutely imperative I do everything I can do to keep the city together," Hahn told a reporter. "I will not allow my city to be divided."

Currently, the Local Agency Formation Commission (LAFCO), which must weigh whether or not to place secession before LA voters, is drafting a proposal, that could put San Fernando Valley's "divorce" on the November ballot. For a breakaway proposal to be adopted, it must gain a majority vote both in the area wanting to secede and citywide.

That's one reason the mayor, an ardent opponent of deconstructing LA, is gearing up for a full-throttle, citywide campaign against secession — replete with all the trappings of a top-flight electoral operation: paid media, mailers, phone banks and grass-roots organization.

Hahn has formed a political action committee, "LA United." He wants to raise $5 million to fund his campaign to kill secession — never mind that the mayor and his office are involved in negotiations to draft a Valley secession plan for the November ballot. There is skepticism on the part of some activists, who accuse the mayor of trying to assuage his Valley base by appearing cooperative in secession talks while campaigning hard against the area's breakaway.

LA County Supervisor Zev Yaroslavsky explained this seeming contradiction in the *Los Angeles Times*: "[Hahn] is wearing two hats ... but there's no choice. He has a legal obligation and a political obligation to negotiate."

Secessionists have labeled Hahn's moves "political suicide." It is a tricky situation for Hahn, who won the mayor's office largely on the strength of Valley support. In his June 2001 mayoral run-off against former Assemblyman Antonio Villaraigosa, the Valley accounted for 42 percent of the city's electorate, and Hahn won 55 percent of the Valley vote. "I think he's putting his political ambitions first," argued Richard Close, the chair of Valley Voters Organized Toward Empowerment (Valley VOTE), the group pushing secession towards the ballot. "I think he'll lose a lot of support in the San Fernando Valley because of what he's doing."

Hahn has enlisted some of LA's biggest political names to help run his anti-secession campaign. They include Bill Wardlaw, Bill Carrick and Kam Kawata, the troika of political operatives who helped Hahn defeat Villaraigosa. LA United hired a full-time fund raiser, Annette Castro, who worked for Senator Richard Alarcon (D-Sylmar) when he represented a San Fernando Valley district on the LA City Council. And billionaire businessman Eli Broad, a major Democratic donor who supported Villaraigosa in the mayoral race, has indicated he'll contribute and help raise campaign funds. Despite the fact that many of the city's labor unions backed Villaraigosa last June, Hahn has been able to enlist them in opposing the Valley's breakaway; labor leaders have expressed concerns about the impact of secession on the local economy and on city employees. The unions' support could bring both money and a substantial number of grass-roots volunteers.

No one can yet predict how the issue of secession will be resolved. There are three possible alternatives, should the issue come to a vote. The San Fernando Valley breakaway could pass in both the Valley and citywide, or it could be defeated in both. Either outcome would resolve the issue — to Hahn's political detriment or benefit. And either way, the city and its mayor could move on to create the next Los Angeles.

Or, in a split decision, the proposal could win in the Valley and lose citywide. That would resolve nothing, and would leave Hahn and Angelenos unable to define clearly a future direction for their city. A confused, angry or frustrated constituency is a legacy no politician wishes to contemplate. A confused, angry or frustrated city could deprive Jim Hahn of his chance to craft any legacy at all.

Sherry Bebitch Jeffe is a senior scholar at USC's School of Policy, Planning & Development. Comments may be sent to **edit@statenet.com.**

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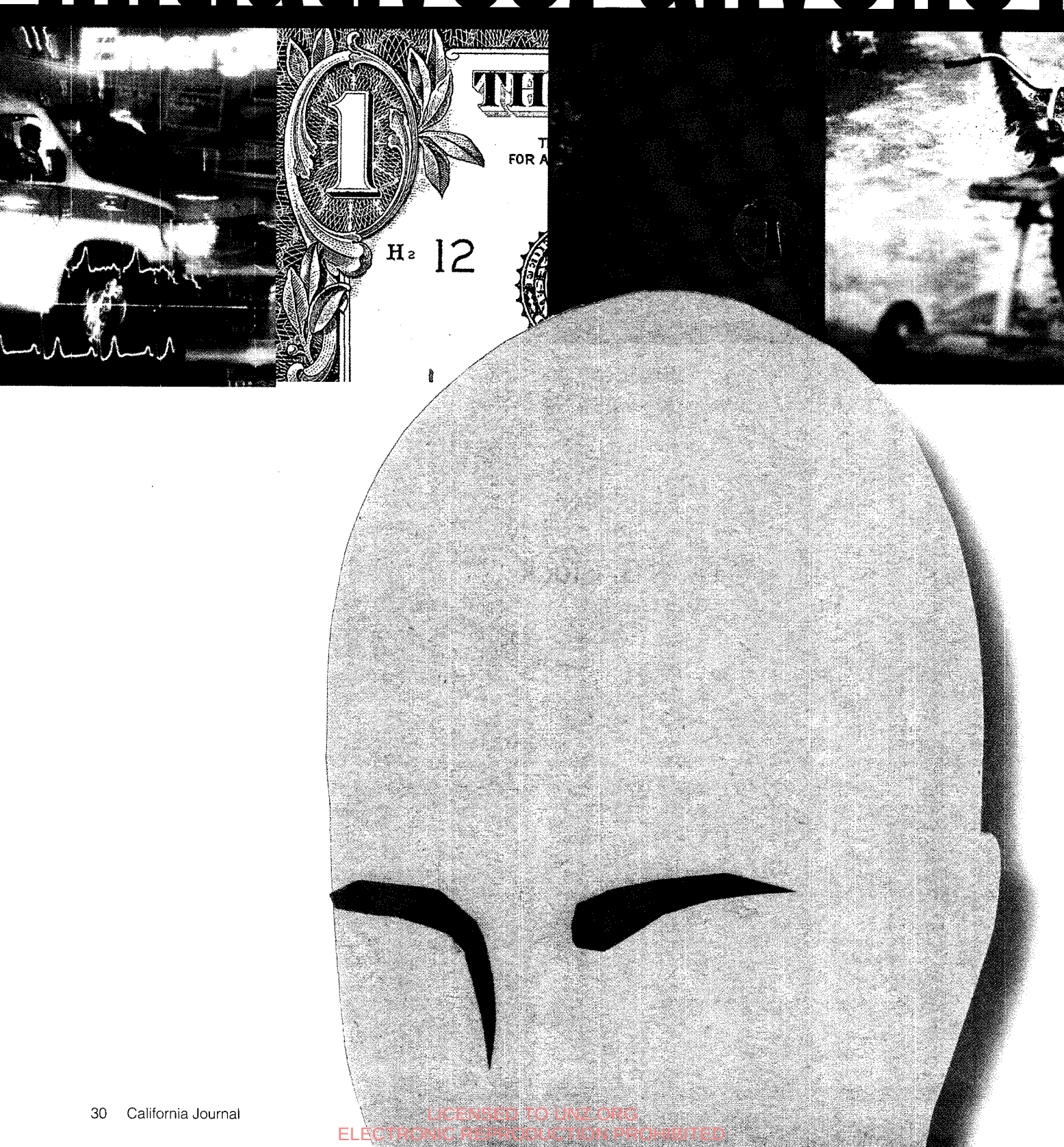
Initiatives, anyone?



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The November Dance Card

A dearth of initiatives for the March primary gives California voters a break in what otherwise is an endless parade of ballot measures. Will the respite last, or will another lengthy ballot appear in the fall? **By A.G. Block**

It wasn't a very profitable summer or fall last year for the cottage industry that depends on ballot initiatives. The folks who write proposals, circulate petitions, run campaigns and raise money for these measures had little to do, given that only one initiative made it to the March 2002 ballot (see *CJ*, February 2002). There, it joins five other measures ginned up by the Legislature.

And although that one initiative, Proposition 45 is a doozy — trying, as it does, to moderate the term-limit law for members of the Legislature — voters won't have to sift through a jumble of sometimes conflicting proposals.

March's six-measure, one-initiative ballot is the smallest for a primary or general election since June 1992, when voters had to wrestle with only three legislative bond measures and no initiatives. The last time only one initiative appeared in either a primary or general election was June 1994. On the flip side, the March 2000 primary ballot contained 20 measures, 10 of them initiatives (see chart, page 33).

So, what may be in store come November 2002? Is this a brief respite; can voters look forward to a quiet fall campaign as well? Or is another huge ballot waiting in the wings?

According to the Secretary of State's Office, a total of 26 measures were "on the street" in the first week of February, gathering the signatures required to qualify for November. Another 11 were lodged in the Attorney General's Office, pending constitutional review and assignment of a title and summary before being released for circulation. (A complete listing of the measures may be found at the Secretary of State's Web site at www.ss.ca.gov.)

Before voters run screaming into the night for fear of having to make sense of a stupefying number of mea-

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sures come fall, rest assured that substantially fewer initiatives will emerge from the qualifying process than the 37 now in the queue. For instance, eight measures dealing with local-government finance — all from the same set of sponsors — are lodged either with the secretary of state or attorney general. But, in fact, those proponents ultimately will choose the one best alternative and chuck the other seven into a circular file (see below).

At this point, the key consideration for proponents of any initiative proposal is the calendar. The Secretary of State's Office recommends that signatures be turned in to county registrars no later than April 18 if proponents hope to qualify for November, and the closer one gets to the deadline, the more expensive it becomes to gather signatures. To reach the ballot, initiative statutes require 419,260 valid signatures; constitutional amendments require 670,816. That is the minimum; proponents usually have to collect far more than the required number as a hedge against those declared invalid for one reason or another.

Most serious contenders have budgeted as much as $1 million to get enough John Hancocks on petitions, hiring professional firms that specialize in gathering signatures. The "uncivic" truth about the qualifying process these days is that the person or group working out of a garage or living room and relying on volunteer help likely will not qualify his, her or its measure.

So, of the 37 now pending, what can voters reasonably hope to see come November?

Here is a quick review of those certified for circulation:

Likely

• **Emergency Care.** The California Medical Association is putting big bucks behind an effort to fund emergency rooms with money raised from traffic fines. Firefighter unions and hospital associations also are on board. The proposal will raise about $300 million a year for an existing fund named for the late Senator Ken Maddy, with proceeds distributed to counties. Proponents are late to the game but reportedly will spend up to $1 per signature — near the high end and enough to ensure a ticket to the dance.

• **After School Programs.** Actor Arnold Schwarzenegger is the oomph behind this proposal to provide money for after-school and school-safety programs. "The Terminator" ponied up $1 million for the signature-gathering effort and enlisted another $1 million from the president of Univision. They also were late to the street but have enough cash in the larder, along with campaign veterans like George Gorton on board, to ensure a spot for November.

• **Race and Ethnicity.** The folks who brought California Proposition 209 (November 1996) are back with a constitutional amendment that bans the state from classifying people according to ethnicity and/or race. The official sponsor is the American Civil Rights Coalition (translation: Ward Connerly), who says signature-gathering is "on track" for April. They tout a wide and diverse donor base and say they have more than enough money to complete the task. Most independent observers agree, pointing to the group's track record on 209.

• **Election Day Voter Registration.** An imposing bipartisan coalition has gathered behind venture capitalist Rob McKay to push allowing people to register to vote at polling places on Election Day. The statute was written by Democrat Lance Olsen and Republican Vigo Nielsen — two of the state's top political lawyers. The Kimball firm is gathering signatures, and Sacramento consultant Gale Kaufman is the ramrod for the campaign, which McKay will fully fund. They have been on the street since December.

Probably

• **Local Government Funding.** The League of California Cities and its allies are the proponents who tossed eight different proposals at the wall, hoping one would stick. It is an effort to protect local government funding from raids by the state, which have been common in recent years. Although sponsors are guardedly optimistic about making the November ballot, their petitions had not gone into circulation as of mid-February. The League is prepared to dish out $1 million to acquire the signatures, but it will need another million from an as-yet-unidentified source to complete the job. If not this year, then March 2004.

• **Water Bonds.** Environmental groups are pushing an initiative bond that also is backed by the Metropolitan Water District of Los Angeles. Proponents were half way to their signature goal in early February and had enough money in the bank to finish the job. They'll drop their effort only if the Legislature places a similar bond on the ballot — an unlikely event.

Toss Up

• **Transportation Funding.** Four nearly identical measures were filed by initiative veteran Gerry Meral of the Planning and Conservation League, who only plans to shove one of them toward the ballot. Meral, however, is playing a waiting game; he won't hit the streets until after March 5 because he wants to see how another transportation measure — Proposition 42 — fares in the coming primary (see *CJ*, February 2002). If 42 does not break 55 percent of the vote, Meral will abandon his effort, sensing lack of public support that some sources say already has surfaced in Meral's own polling. If he does go to the street, he will have but five weeks to gather 419,000-plus signatures.

• **Three Strikes.** A measure to restrict three-strikes to violent or serious felonies has garnered a ton of positive publicity of late but only recently went to the streets and not yet raised the cash necessary to hire professional help on signatures. Proponent Sam Clauder is a veteran pro in the signature field, but the window of opportunity is very small for this measure. As a January 2002 poll showed, however, it likely is an idea whose time has come. If not now, March 2004.

Forget it

• **Casino Gambling.** Spearheaded out of Palm Springs, it legalizes all

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forms of Vegas-style gambling statewide at existing race tracks and card rooms. It is complicated and long (38 pages), but its major stumbling block at the moment is a squabble over the title and summary assigned to it by the Attorney General's Office. Proponents have gone to court to force a change and cannot begin to circulate petitions until the matter is settled. That makes the task of gathering more than 670,000 signatures both urgent and expensive. Although proponents say they have budgeted $2 million to get on the ballot, time is drifting away. Again, if not now, then March 2004.

• **Genetically Engineered Foods.** Funding never materialized, so proponents pulled the plug.

• **Alcohol Tax.** Proponents could not be reached.

• **Casino Gambling Pilot Projects.** An unusual measure that would amend the state constitution to legalize Vegas-style casino gambling, but as a pilot project in 12 specified communities. Two versions have been certified for signatures, but proponents could not be reached.

• **Absentee Voting Restrictions.** Proponents could not be reached.

• **Beginning of Life.** A pair of anti-abortion grass-roots efforts that did not attract financial support from pro-life groups.

• **California Clemency Board.** Proponents have high-profile pats-on-the-back but no money.

• **Grand Juries.** A constitutional amendment sponsored by legislative reformer Ralph Morrell.

• **Electoral College.** Proponents have a Web site but little else in the way of resources.

• **Reapportionment.** Initiative veteran Ted Costa is regrouping for 2004.

• **Right to Bear Arms.** Proponents are aiming for March 2004.

• **Old Growth Trees.** Proponent could not be reached.

• **Fair Tax Act.** Proponents aiming for March 2004.

A.G. Block is executive editor of California Journal. Comments on this story may be sent to **edit@statenet.com.**

Ballot measures: A recent history

June 1990
Total: 17
Legislative: 12
Initiative: 5
Significant: Prop. 112 (legislative) established a commission to set legislative salaries and enacted ethics laws for state officials (passed).

November 1990
Total: 19
Legislative: 5
Initiative: 14
Significant: Prop. 140 (initiative) imposed term limits on the Legislature and statewide constitutional officers (passed).

June 1992
Total: 3
Legislative: 3
Initiative: 0
Significant: None

November 1992
Total: 13
Legislative: 6
Initiative: 7
Significant: Prop. 165 (initiative sponsored by then-Gov. Pete Wilson) increased the governor's control over state spending and the budget process (failed).

June 1994
Total: 9
Legislative: 8
Initiative: 1
Significant: Prop. 180 (initiative) raised bond money for parks (passed).

November 1994
Total: 8
Legislative: 3
Initiative: 5
Significant: Prop. 184 (initiative) established "three strikes" for criminal offenses (passed); Prop. 187 (initiative) denied public services to illegal aliens (passed).

March 1996
Total: 12
Legislative: 5
Initiative: 7
Significant: Prop. 198 (initiative) created California's blanket primary (passed); Props. 200, 201, 202 (initiatives) were tort-reform measures backed by Silicon Valley entrepreneurs and opposed by trial lawyers who together spent $25 million on the campaign (all failed).

November 1996
Total: 15
Legislative: 3
Initiative: 12
Significant: Prop. 209 (initiative) did away with most state and local government affirmative-action programs (passed); Props. 208, 212 (initiatives) attempted campaign finance reform (208 passed; 212 failed); Props. 214, 216 (initiatives) regulated the HMO industry (both failed); Prop. 215 (initiative) authorized medical use of marijuana (passed).

June 1998
Total: 9
Legislative: 4
Initiative: 5
Significant: Prop. 227 (initiative) banned bilingual education in California public schools (passed); Prop. 226 (initiative) required that unions seek permission from members before dues could be used for political purposes (failed).

November 1998
Total: 10
Legislative: 3
Initiative: 7
Significant: Prop. 5 (initiative) required the governor to sign gaming compacts with various Indian tribes (passed); Prop. 10 (initiative) imposed additional taxes on tobacco products and used the money to fund early childhood development programs and anti-smoking campaigns (passed).

March 2000
Total: 20
Legislative: 10
Initiative: 10
Significant: Prop. 1A tweaked Prop. 5 (March '98), which had been declared unconstitutional by the state Supreme Court (passed); Prop. 26 (initiative) reduced from two-thirds to simple majority the margin needed to pass a school bond (failed).

November 2000
Total: 8
Legislative: 3
Initiative: 5
Significant: Prop. 34 (legislative) established new rules for funding campaigns and repealed Prop. 208 of Nov. '96 (passed); Prop. 36 (initiative) provided treatment rather than jail for non-violent drug offenders (passed); Prop. 38 (initiative) authorized school vouchers (failed); Prop. 39 (initiative) reduced the approval rate for passing school bond measures from 67% to 55% (passed).

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Enron and the Bush agenda

by Marc Sandalow

Want to feel Enron's power in Washington? Consider this Capitol Hill scene from a chilly late afternoon a few weeks ago. On one side of the Capitol, Representative Nancy Pelosi was being feted as the new Democratic whip by the party elite. Democratic leader Dick Gephardt, U.S. Senator Hillary Rodham Clinton, state Senator John Burton, Oakland Mayor Jerry Brown and scores of other influential politicos were joined by scores of wealthy (and generous) California donors.

On the other side of the building, California's U.S. Senator Barbara Boxer was rushing out the Capitol door with an armful of documents.

What could possibly keep Boxer away from her good friend and political soul mate's moment of glory? What force of nature could keep a senator who must raise $10,000 to $20,000 a day for the next $2^{1/2}$ years away from proven donors?

"Today's an Enron day," Boxer explained as she hurried away.

Every day is now an Enron day in the nation's capital. It is not just the high profile hearings that have brought corporate executives before television cameras to either plead bad memories or the Fifth Amendment, nor Boxer's efforts to pass a pension reform measure that distracted her that afternoon.

[Enron] has touched off a collapse of President Bush's and the GOP's domestic priorities.

The high-profile implosion of the well connected Houston energy company has seeped into legislative nooks and crannies that have no direct connection to natural gas lines, electricity futures, or anything else that involved Enron. In the process, it has touched off a collapse of President Bush's and the GOP's domestic priorities.

If September 11 brought a return to Reagan-era military buildups and the sacrifice of civil liberties favored by Republicans, the Enron debacle is ushering in a new era of government regulation long championed by Democrats. Government oversight, 401(k) reforms, and campaign-finance reform are in. Proposals to boost domestic oil production, deregulate markets and privatize Social Security are out.

Publicly, Democrats use phrases like "troubling" and "tragic" to describe Enron's collapse. Privately, they use words like "miracle" and "godsend." Democratic Party Chair Dick McAuliffe, in an address to the party's winter meeting, mentioned Enron half a dozen times.

"There's no evidence yet that anyone in the Bush Administration did anything improper in this case," McAuliffe said in a less-than-sincere display of political open-mindedness.

Fact is, Democrats know that proving Bush's culpability is a longshot. Yet regardless of whether Enron's collapse ever brings the president's wartime popularity down to earth, it is serving as a Texas-sized wrecking crew on his domestic agenda.

Remember the energy bill? Last spring the drill-happy proposal was atop the Bush agenda. The House approved it last summer, and post-September 11 fears of America's dependence on Middle East oil producers seemed to give it the push it needed to clear the Senate. Not after Enron. At press time, the bill was foundering. Any measure that reaches the president's desk will not resemble the one he proposed.

And what about privatization of Social Security? This was a big idea for the Bush campaign the first year of his presidency. How much political capital will he now want to invest persuading Americans they can do better by investing a portion of their own pension plans in the stock market?

Campaign finance reform? It was dead in the hands of House Republicans before Enron entered the equation. Now, with Enron's much publicized $6 million in contributions over the past decade, Congress would look hypocritical by not acting. The stimulus package? Democrats gleefully pointed out that Enron would be entitled to a $250 million tax cut under the Bush plan.

Just as polls show the Republican Party is at a historic high-water mark, Enron is providing their opponents a powerful tool to knock off their priorities. And they have not been shy about it. Delivering the Democrats' response to Bush's weekly radio address, Pelosi used Enron as a textbook example for campaign-finance reform. The week before, Senate Majority Leader Tom Daschle used Enron to argue against Bush's Social Security plan. A few weeks before that, Senator Harry Reid of Nevada used Enron as an example of the corporate giveaways in Bush's economic stimulus package. Last March, McAuliffe complained in an address to California Democrats at their annual convention that Enron is "setting energy policy." Now, much of the nation believes him.

Democrats, looking to stand up to a popular commander in chief, think they have a way.

Contributing editor Marc Sandalow is the San Francisco Chronicle's *Washington bureau chief.*

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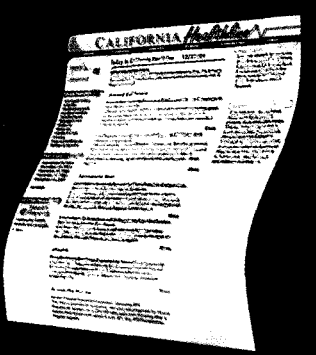

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